

Composition and Direction of Trade - Export, Imports of India

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Composition of trade means a study of the goods and services of imports and exports of a country. In other words, it tells about the commodities of imports and the commodities of exports of a country. Therefore it indicates the structure and level of economic development of a country. Developing countries export raw materials, agricultural products and intermediate goods; developed countries export finished goods, machines, equipments and technique.

Direction of trade means a study of the countries to whom the exports are made and from whom the imports are made.

Composition of Imports of India

Imports of India may be divided into three parts namely capital goods, raw materials and consumer goods.

Imports of capital goods

Capital goods include metals, machines and equipments, appliances and transport equipments, and means of communications. These goods are essential for industrial development of the country. Imports of these goods amounted to Rs.356 crore in 1960-61 which increased to Rs.26, 532 crore in 1997-98.

Imports of raw materials and intermediate goods

It includes the imports of cotton, jute, fertilizer, chemicals, crude oil etc. A number of raw materials and intermediate goods have to be imported during the process of economic development. It amounted to Rs.527 crore in 1960-61 which increased to Rs.13,966 crore in 1985-86. Petroleum products include crude oil, petrol and lubricating oil. Imports of these products have ever been increasing. In 1960-61, imports of these products amounted to Rs.69 crore which increased to Rs.30,538 crore in 1997-98. Import of petroleum products constitutes about 23 percent of our total imports. Fertilizers are an important input for agriculture. Chemical products are an important input for industrial development. The import of these products is continuously increasing in India. In 1960-61 import of these items amounted to Rs.88 crore only which increased to Rs.3755 crore in 1997-98.

Imports of consumer goods

It includes the import of food grains, electrical goods, medicines, paper etc., India faced an acute shortage of food grains till the end of Third Five Year Plan. As a result, India had to import food grains in large quantities. Import of food grains in 1960-61 was 3748 thousand tonnes (Rs.181 crore). In 1997-98 it was 1399 thousand tonnes. Now India has achieved self-reliance in food production.

Direction or sources of imports of India

Sources of imports of India have undergone several important changes during the planning period. Some important facts are as follows:

At the beginning of economic planning, we were importing from selected countries only. Now the picture has changed. We import different goods and services from different countries of the world. At present we get our imports

from almost all the countries of the world. For the purchase of machines and equipments, we depend mainly on OECD (Organization for Economic Cooperation and Development) countries and East European countries. For the supply of food grains and petroleum products, we depend on OPEC (Oil Producing and Exporting Countries) countries. The OECD countries supply largest part of our imports. In 1997-98 out of the total imports of Rs.1,51,553 crore, the imports of Rs.75,593 crore were made (49.9%) from these countries. Other important suppliers of our imports are USA, Belgium, Germany, Japan and Britain.

Composition of exports of India

Exports of India may be divided into two parts I) Exports of traditional items and ii) Exports of non-traditional items.

Exports of traditional items

It includes the exports of tea, coffee, jute, jute products, iron ore, species, animal skin, cotton, fish, fish products, mineral products etc. At the beginning of the planning era, their items contributed about 80 percent of our total exports. Gradually, the contribution of these items is declining and that of non-traditional items is increasing. At present the contribution of traditional items is about 18.8% in our total exports.

Non-traditional items

It includes the export of sugar, engineering goods, chemicals, iron and steel electrical goods, leather products, gems and jewellery. There is a significant change in the pattern of exports of India during recent years. India has started to export a number of non-traditional items to a number of countries of the world. Contribution

of these items is gradually increasing in total exports of India and shows a declining trend during some years also. Some facts to illustrate the changes are given below:

Agriculture and allied products which constituted 20.4 percent of total exports in 1996-97, decreased to 18.8 percent in 1999-2000. ii) Ores and minerals which constituted 3.5 percent of total exports in 1996-97, decreased to 3 percent in 1999-2000. iii) Manufactured good which contributed 73.4 percent of total exports in 1996-97, increased to 75.7 percent in 1999-2000. iv) Crude and petroleum products constituted 1.4 percent of total exports in 1996-97 but decreased to 1.0 percent in 1999-2000. v) With regard to other items of exports which constituted 1.2 percent in 1996-97 increased to 1.3 percent in 1999-2000.

Direction of exports of India

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.

11 Main Features of Volume, Composition and Direction of India's Foreign Trade

1) Increasing share of gross national income

2) *Less Percentage of World Trade:*

3) *Oceanic Trade:*

5) *Increase in Volume and Value of Trade:*

6) *Change in the Composition of Exports:*

7) *Change in the Composition of Imports:*

8) *Direction of Foreign Trade:*

9) *Mounting Deficit in Balance of Trade:*

10) *Trend towards Globalization:*

11) *Changing Role of Public Sector:*

FOREIGN TRADE POLICY OF INDIA

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Introduction

The integration of the domestic economy through the twin channels of trade and capital flows has accelerated in the past two decades which in turn led to the India's GDP reaching Rs 190.10 trillion (US\$ 2.72 trillion) in 2018-19*. Simultaneously, the per capita income also nearly trebled during these years. India's trade and external sector had a significant impact on the GDP growth as well as expansion in per capita income. Provisional estimates of India's GDP during first half of 2019-20 stood at Rs 98.56 trillion (US\$ 1.41 trillion).

Total exports from India (Merchandise and Services) registered a growth of 0.93 per cent year-on-year during April-December 2019 to US\$ 397.48 billion, while total imports estimated to be US\$ 455.14 billion, exhibiting a negative growth of 5.82 per cent according to data from the Ministry of Commerce & Industry.

The merchandise export stood at Rs 16,84,558.61 crore (US\$ 239.29 billion) during April-December 2019 and imports reaching Rs 25,14,783.82 crore (US\$ 357.39 billion) for the same period.

The estimated value of services export for April-December 2019 stood at US\$ 158.19 billion and import is US\$ 97.75 billion. Thus, the overall trade deficit for April-November 2019 is estimated at US\$ 57.66 billion.

According to Mr Piyush Goyal, Minister for Commerce and Industry, the Government of India is keen to grow exports and provide more jobs for the young, talented, well-educated and even semi-skilled and unskilled workforce of India.

Capital Inflows

India's foreign exchange reserves were Rs 32.35 lakh crore (US\$ 454.94 billion) in the week up to December 20, 2019, according to data from the RBI.

External Sector

- In January 2020, Memorandum of Understanding (MoU) was signed between India and Finland to improve defence cooperation between Finnish companies and Indian Defence Public Sector Undertakings.
- In January 2020, India signed a Memorandum of Understanding (MoU) with the Department for International Development (DFID-Government of United Kingdom) for facilitating the energy self-sufficiency of the Indian Railways.
- In December 2019, cabinet approved Memorandum of Understanding between Central Electricity Authority, India and Japan Coal Energy Centre, on Japan-India cooperation for Efficiency and Environmental Improvement for Sustainable, Stable and Low-Carbon supply of Electricity.
- The Memorandum of Cooperation (MoC) between Government of India and Government of Japan in order to constitute the 'India-Japan Steel Dialogue' to strengthen cooperation in steel sector got approval from cabinet in December 2019.
- In November 2019, All India Institute of Ayurveda (AIIA) signed a Memorandum of Understanding (MoU) with Western Sydney University, Australia at New Delhi.
- In November 2019, the Memorandum of Understanding (MoU) signed between India and Finland approved by Cabinet in order to strengthen the cooperation in the field of Tourism.
- In September 2019, four Memorandum of Understanding (MoUs) were signed between India and Mongolia focusing on cultural exchange protocol, disaster management, space exploration and in field of animal health and dairy.
- In September 2019, Liquefied Natural Gas (LNG) importer Petronet entered into agreement with US LNG developer Tellurian Inc. and invest US\$ 2.5 billion.
- In August 2019, four Memorandum of Understanding (MoUs) were signed between India and France focusing on skill development and vocational training, renewable energy, IT services and space research.
- In June 2019, India and Kyrgyzstan signed 15 agreements in main areas, including defence, trade and investment and health.
- In April 2019, India signed a memorandum of understanding (MoU) with the National Bank for Agriculture and Rural Development Consultancy Service (NABCONS) for establishing the India-Africa Institute of Agriculture and Rural Development (IAIARD) in Malawi, South Africa.
- In December 2018, India and the UAE signed currency swap agreement to boost trade and investment ties between the two countries.

Foreign Trade Policy

- In the Mid-Term Review of the Foreign Trade Policy (FTP) 2015-20 the Ministry of Commerce and Industry has enhanced the scope of Merchandise Exports from India Scheme (MEIS) and Service Exports from India Scheme (SEIS), increased MEIS incentive raised for ready-made garments and made-ups by 2 per cent, raised SEIS incentive by 2 per cent and increased the validity of Duty Credit Scrips from 18 months to 24 months.
- In August 2019, Ministry of Commerce plans to introduce new foreign trade policy aimed at providing incentives and guidelines for increasing export in next five financial years 2020-25.
- As of December 2018, Government of India is planning to set up trade promotion bodies in 15 countries to boost exports from Small and Medium Enterprises (SME) in India.
- In September 2018, Government of India increased the duty incentives for 28 milk items under the Merchandise Export from India Scheme (MEIS).

- All export and import-related activities are governed by the Foreign Trade Policy (FTP), which is aimed at enhancing the country's exports and use trade expansion as an effective instrument of economic growth and employment generation.
- The Department of Commerce has announced increased support for export of various products and included some additional items under the Merchandise Exports from India Scheme (MEIS) in order to help exporters to overcome the challenges faced by them.
- The Central Board of Excise and Customs (CBEC) has developed an 'integrated declaration' process leading to the creation of a single window which will provide the importers and exporters a single point interface for customs clearance of import and export goods.
- As part of the FTP strategy of market expansion, India has signed a Comprehensive Economic Partnership Agreement with South Korea which will provide enhanced market access to Indian exports. These trade agreements are in line with India's Look East Policy. To upgrade export sector infrastructure, 'Towns of Export Excellence' and units located therein will be granted additional focused support and incentives.
- RBI has simplified the rules for credit to exporters, through which they can now get long-term advance from banks for up to 10 years to service their contracts. This measure will help exporters get into long-term contracts while aiding the overall export performance.
- The Government of India is expected to announce an interest subsidy scheme for exporters in order to boost exports and explore new markets.