

## **Emerging Trends and patterns of Foreign Trade in India**

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### **Abstract**

*The World Bank reports that India will emerge as the top economies of the world with a population of 1.295 billion, the GDP of India is \$ 2.649 trillion at market prices. According to IMF World Economic outlook, April 2015, India ranks seventh globally in terms of GDP and expected to grow at 7.5% in 2016. Over the last 25 years since India's liberalisation, its foreign trade has expanded multifold and seen significant structural shifts in product as well as geographic composition. The easing of quantitative restrictions as well as significant reduction in tariff levels across product lines has aided the growth of foreign trade in the first two decades post liberalisation.*

**Key words:** Foreign Trade, Geographic Composition, Liberalization

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## **Introduction**

Foreign Trade involves different currencies of different countries and is regulated by laws, rules and regulations of the concerned countries. Foreign trade acts an engine of growth in the concerned economies. In a globalizing world which is driven by knowledge, technology and innovation are considered as important factors boosting the competitiveness. As a result of globalization, the information technology in India has made rapid strides, especially in software industry. Many Indian companies have made large international acquisitions and become global companies. For example, Tata Steel acquired Corus in a multi-billion dollar deal. Bharati Airtel made a large telecom takeover by acquiring the African business of Zain Telecom. Tata Motors took the bold step by acquiring Jaguar and Land Rover. The acquisition of Jaguar and Land Rover has proved to be very profitable for Tata Motors. This paper analyses the growth of Indian foreign trade after independence and post globalised scenario. This paper also tries to find out the recent trends in the Indian foreign trade.

## **India's Trade Performance**

India's merchandise exports reached a level of US \$ 312.61 billion during 2013-14 registering a growth of 4.06 percent as compared to a negative growth of 1.82 percent during the previous year. Despite the recent setback faced by India's export sector due to global slowdown, merchandise exports still recorded a Compound Annual Growth Rate (CAGR) of 15.79 per cent from 2004-05 to 2013-14.

## **World Trade Scenario**

As per IMF's World Economic Outlook April 2014, world trade recorded its largest ever annual increase in 2010, as merchandise trade surged 14 per cent, but in the year 2012, it declined to 2.6 per cent and showed only a marginal improvement to 2.7 per cent in 2013. It however projects acceleration of world trade in goods in 2014 and 2015 with forecasted growth rates of 4.3 per cent and 5.3 per cent respectively. Growth in volume of world trade also increased marginally to 3 per cent in 2013 over 2.8 per cent in 2012 and is projected to accelerate further to 4.3 per cent and 5.3 per cent in 2014 and 2015 respectively. The IMF has put its growth projections of world output at 3.6 per cent in 2014. The advanced economies are expected to grow at 2.2 per cent while the emerging and developing economies to grow at 4.9 percent in 2014. The projected growth rates in different countries are expected to determine the markets for our exports.

## **Recent Trends of India after Globalization**

There is considerable resistance to the relaxation of controls on foreign Trade from the vested interests as well as from those who are wedded to the blinkered pattern of development which was the guiding spirit of the Indian economy in the

past. Globalization otherwise known as an economic integration resulted in the paradigm shift in the world trade. Globalization implies widening and deepening assimilation with the globe ie with people and process abroad. As a result of globalization the smaller, emerging economies got much market access and it resulted in a new business frame work characterised by openness, adaptiveness and responsiveness. The most important dimensions of economic globalization are breaking down of national barriers, international spread of trade, financial and production activities and growing power of transnational corporations and international financial institutions in this process.

Every country restricts the movement across its borders of goods and services as well as of the resources, such as workers and capital, to produce them. Such restrictions make international trade burdensome; further, because the restrictions may change at any time, the ability to sustain international trade is always uncertain. However, governments today impose fewer restrictions on cross-border movements than they did a decade or two ago, allowing companies to better take advantage of international opportunities. The growth of emerging markets (e.g., India, China, Brazil, and other parts of Asia and South America especially) has impacted international trade in every way. The emerging markets have simultaneously increased the potential size and worth of current major international trade while also facilitating the emergence of a whole new generation of innovative companies.

#### **Export trends for major commodities**

**Engineering Goods:** India's top export item is engineering goods, accounting for 23.5 percent in India's total exports in 2016-17. Within this category, some of the prominent export items are Transport Equipment (including Automobiles and Auto components), Iron and Steel and Machinery & Instruments.

**Petroleum products:** India turned a net exporter of petroleum refinery products and this category has lately emerged as the largest item in India's export basket. Petroleum products had a share of 4.3 percent in India's total exports. However, the exports decline is primarily in terms of value due to lower oil prices, while in terms of volume, exports of petroleum products rose by 6 percent y-o-y in 2014-15. Global oil prices are expected to remain low in 2016 as well as 2017 making it difficult and challenging for India's exports of petroleum products.

**Gems & Jewellery:** Gems and jewellery is one of the major contributors of export earnings for India, having a share of 13.3 percent in India's merchandise exports in 2014-15. Geographically, the exports of gems and jewellery are highly concentrated, with top 3 markets viz. UAE, Hong Kong and USA together accounting for almost

80 percent of total exports. Over the last few years, gems and jewellery exports of India have been adversely affected by the global slowdown as luxury demand in overseas market has seen a sharp decline.

### **Conclusion**

The study also indicates that post reform period has certainly helped India in achieving high growth in the economy. Growing imports of petroleum products are important to meet industrial and consumption requirement. For the exports, some commodities have good exports potential (Engineering products, Petroleum Products and Gems and Jewellery) and other items of exports. Major portion Indian imports consists of fuels, capital goods chemicals etc. Major portion of Indian exports are in manufactured goods. The composition of India's foreign trade reflects, to a great extent, the structural changes that the Indian economy has undergone over the study period. It is no longer an exporter of primary commodities and an importer of manufactured goods. It exports manufactured goods and imports raw materials, intermediate goods and capital goods.

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