



## **DIRECTION OF INDIA'S FOREIGN TRADE DURING GLOBALIZATION PERIOD**

**Dr. Bimlesh Singh**

Assistant Professor, Department of Economics, Faculty of Social Sciences,  
IGNTU, Amarkantak, Madhya Pradesh

**Cite This Article:** Dr. Bimlesh Singh, "Direction of India's Foreign Trade during Globalization Period", International Journal of Interdisciplinary Research in Arts and Humanities, Volume 2, Issue 2, Page Number 23-29, 2017.

### **Introduction:**

Globalization can be defined as integration of an economy with the world economy. In present time globalization has emerged as important forces, which help in integrating the world economy. Globalization is a process through which the diverse world is unified into a single society. In India, the seeds of globalization were sown in the early 1980s, but the real thrust was provided by the New Economic Policy (NEP) 1991. In this policy India started the process of dismantling trade barriers along with abolishing quantitative restrictions (QRs) phase-wise. During post-independence period especially after adopting the liberalization, privatization and globalization (LPG) policy India's foreign trade has undergone a complete change in terms of composition and direction. Direction of India's foreign trade means the countries to which India exports its goods and the countries from which it imports. Thus direction of trade consists of destination of our exports and source of our imports. In the pre-independence period India's trade relations were mainly determined by Britain and other commonwealth countries, not according to the comparative cost advantages of India. A major part of India's trade was either directly with Britain or its colonies or allies. But after independence when political and economic relations developed with other countries of world new trade relationships were established. The situation has changed very much since, and now after 65 years and especially after initiation of globalization process, the trading relations exhibit marked changes. Now USA has emerged as our most important trading partner, followed by China, UAE, Japan, Germany and U.K.

### **Data and Methodology:**

The present study is based upon the time series secondary data. The data is collected from various published sources of government agencies. The data for India and world have been collected from various issues of Economic Survey and Hand Book of Statistics on the Indian Economy, Reserve Bank of India, Mumbai.

### **Period of Analysis:**

To study the Globalization and Export Performance in India, we have taken the period of 40 years i.e. (1975-76 to 2014-15). The time period has been further divided in to two sub-periods. First, Pre- Globalization phase (1975-76 to 1990-91) and second Post-Globalization phase (1990-91 to 2014-15). The purpose of dividing the entire period in to two sub- periods is to make comparative study of the change in direction of India's foreign trade in pre and post-globalization period.

### **Methodology and Techniques of Analysis:**

In this, simple statistical tools have been used to analyze the data collected for the study like percentage, average etc. These data are also shown graphically.

### **Objective of the Study:**

The objective of this paper is to highlight some of the issues related to Direction of India's Foreign Trade, such as:

- ✓ To show changes in the Direction of India's Exports.
- ✓ To show changes in the Direction of India's Imports.
- ✓ To give suggestions for improvement in India's foreign trade.

### **Direction of Exports:**

For the purpose of studying direction of trade, India's trading partners have been divided in to five major groups in Table (1.1), namely First, OECD Countries which include East European countries, of which Belgium, France, Germany, U.K., U.S.A. and Japan, Second, OPEC Countries which include Iran, U.A.E, Kuwait, Saudi Arabia, etc. Third, Eastern Europe Countries, of which Russia, Fourth, Developing Countries which include Africa, Asia and Latin American countries and Fifth others, this section includes many other countries which have been left in above categories. For comparative study we divide total time periods in two parts- first, Pre-globalization period (1975-76 to 1991-92) and second, Post-globalization period (1991-92 to 2014-15).

OECD countries occupied a major portion of India's exports. The share of OECD countries in 1975-76 was 50.05 percent and in 1991-92 it increased to 57.85 percent. After that it has shown a decreasing trend and it reached to 35.24 percent in 2014-15. The OPEC countries accounted for 15.25 percent of exports in 1975-76 and its share decreased to 8.75 percent in 1991-92. But, in globalization period it increased to 18.15 percent in 2014-15. Most significant has been the rapid increase in exports to the countries of Eastern Europe, particularly U.S.S.R. For example, its share in export earnings in 1975-76 was 16.30 percent, it reached to 21.05 percent in

1985-86, but after that it showed a decreasing trend and it reached to 10.94 percent in 1991-92 and 1.10 percent in 2014-15. It showed the share of Eastern European countries rapidly decreased in post-globalization period.

Developing nations of Africa, Asia and Latin America accounted for 17.51 percent of India's export earnings in 1975-76. Its share was the same in 1991-92, but it reached to 43.97 percent in 2014-15. Between those countries Asian countries emerged as a most important destination of export. The share of developing countries rapidly increased in post-globalization period.

Important facts concerning to India's country-wise exports are given as follows:

Table (1.2) gives information regarding destination of our exports for the period of 1975-76 to 2014-15. The U.S.A's share in total exports was highest (12.87 percent) in 1975-76. This share increased to 17.29 percent in 1991-92, but in 2014-15 it declined to 13.68 percent. In value term India's export to U.S.A was Rs. 519.8 crore in 1975-76; it increased to Rs. 7665 crore in 1991-92, which was 14.74 times more over 1975-76. The value in 2014-15 was Rs. 259523 crore which was 33.85 times more over 1991-92. It shows that U.S.A. is prominent export destination of India from 1975-76 to 2014-15.

Japan was the second buyer of Indian goods and its share in 1975-76 was 10.72 percent and 9.24 percent in 1991-92, but it rapidly declined to 1.73 percent in 2014-15.

U.K.'s share in total India's export was 10.43 percent in 1975-76 and occupied third important destination of India's exports, it reached to 6.37 percent in 1991-92 and 3.02 percent in 2014-15. It shows a declining trend.

U.S.S.R. was the fourth largest exports' destination of India. Its share was 10.32 percent in 1975-76, but share rapidly increased to 18.41 percent in 1985-86 and occupied first export destination of India. Again its share rapidly decreased to 9.17 percent in 1991-92 and 0.68 percent in 2014-15.

Germany was the fifth largest exports' destination for India. Its share in 1975-76 was 2.92 percent; its share increased to 7.10 percent in 1991-92 and occupied third position in total India's exports. Its share decreased to 2.43 percent in 2014-15.

In 1975-76 France was the sixth destination of exports. Its share was 2.13 percent in 1975-76, which increased to 2.38 percent in 1991-92 and it decreased to 1.61 percent in 2014-15.

Belgium was also an important buyer of India, its share was 1.12 percent in 1975-76, increased to 3.73 percent in 1991-92 and after that it decreased to 1.78 percent in 2014-15.

Before independence, Britain had largest share of our exports but after independence period the share of Britain in total India's exports declined and U.S.A emerged as the largest single buyer of India's exports.

U.S.A. was the single largest buyer of our goods for about 13.68 percent of our exports in 2014-15. The shares of U.A.E, China, Singapore, U.K., Hong Kong, Germany, Italy and Japan was about 10.64 percent, 3.86 percent, 3.16 percent, 3.02 percent, 4.38 percent, 2.43 percent, 1.64 percent and 1.73 percent respectively in 2014-15. Russia which was one of the principal buyers of our goods has now gone down to lower position.

About more than one third (43.97 percent) of our exports go to LDCs (excluding OPEC), while OPEC accounted for 18.15 percent of our exports in the year 2014-15.

On the basis of above study the direction of India's exports has changed considerably. The share of India's exports to OECD countries has been declining, especially because of the declining share of our exports to the European countries (EU) and Japan.

The share of exports to USA and OPEC countries has increased. In the case of Eastern Europe, the share of exports to Eastern Europe has gone down, especially due to declining share of exports to Russia. While the share of exports to developing countries like, Africa, Asia and Latin America has rapidly increased in post-globalization period.

#### **Direction of Imports:**

Direction of imports means the country from which we import goods. Before Independence most of our imports were from Britain. After independence, we are now importing goods from other countries, such as, USA, Germany, France, Japan etc. Direction of India's Imports has changed remarkably during the study period. The following table (1.3) and figures (1.c) & (1.d) shows the changes in the direction of India's imports between 1975-76 and 2014-15. If we study block wise, then it can be seen that among five blocks (i.e. OECD, OPEC, Eastern Europe, Developing countries and other countries).

The share of OECD countries in India's Imports was all along higher, but the same share gradually declined from 61.27 percent in 1975-76 to 54.22 percent in 1991-92 and 26.93 percent in 2014-15.

The share of OPEC countries in India's total imports gradually decreased from 21.86 percent in 1975-76 to 19.85 percent in 1991-92 and after 1991-92 it increased to 30.58 percent in 2014-15.

The share of Eastern European countries in India's imports which was 10.75 percent in 1975-76, increased to 11.04 percent in 1985-86 and after that gradually declined to 5.11 percent in 1991-92 and 1.73 percent in 2005-06.

As trade relation expanded with socialist countries, the share of Eastern Europe in imports also increased considerably from 3.4 percent in 1960-61 to 10.3 percent in 1980-81 and stood at 7.8 percent in 1990-91. Due to the set back of communist regimes in this block in recent years (and particularly, due to the

disintegration of USSR), the share of Eastern Europe in imports declined considerably and was 1.6 percent in 2003-04.<sup>1</sup>

The share of developing countries gradually rose from 5.90 percent in 1975-76 to 17.13 percent in 1991-92 and stood at 39.03 percent in 2014-15.

The share of U.K. in 1975-76 was 28.81 percent in total India's imports. U.K. was an important source of imports and occupied first position. But its share in total imports declined to 6.19 percent in 1991-92 and 2.61 percent in 2005-06. U.S.A.'s share in total imports was 24.41 percent in 1975-76 and occupied second position. But its share decreased to 10.27 percent in 1991-92 and 1.12 percent in 2014-15.

The combined share of U.K. and U.S.A. was 53.22 percent in India's total imports in 1975-76, but after that it has shown a declining trend. This picture shows the colonial heritage of the country. Its analysis also shows direction of trade recorded a continuous change where India's dependence on imports from U.S.A and U.K. gradually declined with the opening and expansion of trading relations with other countries like USSR, Japan, Germany, Belgium, Saudi Arabia, etc.

During the study period as a whole, India has obtained maximum imports from U.S.A., the reason being that India has imported large scale quantities of capital goods, intermediate products and food grains (Under P.L. 480 agreement).

In 1975-76, Iran was the third important import source of India. Its share was 8.73 percent and it rapidly decreased to 2.99 percent in 1991-92 and 2.00 percent in 2014-15.

Germany was the fourth important import source of India in 1975-76, its share in total imports was 7.02 percent and it increased to 8.03 percent in 1991-92. After that it has shown a declining trend and its share in total imports reached to 2.86 percent in 2014-15.

Japan was the fifth important source of India's imports and its share was 6.86 percent in 1975-76; it increased to 9.02 percent in 1985-86. But after that it showed a decreasing trend and it reached to 7.05 percent in 1991-92 and rapidly decreased to 2.63 percent in 2014-15.

The share of Russia in total India's imports was 5.88 percent in 1975-76 and it occupied sixth position. Its share increased to 8.53 percent in 1985-96. After that its share rapidly decreased to 3.75 percent in 1991-92 and 0.95 percent in 2005-06.

Saudi Arabia's share in total India's imports was 5.51 percent in 1975-76 and its position was seventh. Its share increased to 7.41 percent in 1991-92 and after that it rapidly decreased to 6.26 percent in 2014-15.

Australia was the eighth import source of India in 1975-76 and its share was 1.93 percent. After that its share continuously increased to 2.24 percent in 1985-86, 3.01 percent in 1991-92 and after that it decreased to 2.29 percent in 2014-15.

The share of Belgium in 1975-76 was 1.64 percent and occupied ninth position. Its share in total imports rapidly increased to 4.83 percent in 1985-86, 7.15 percent in 1991-92 and after that it decreased to 2.41 percent in 2014-15.

Before Independence, India's trade relation was determined by Britain and other commonwealth countries. But in last 55 years significant changes have taken place in India's sources of imports.

After opening of the economy for the world economy, India's imports are being sourced from a wider range of countries. Traditionally important trading partners like U.K., U.S.A, Germany, Japan and Australia have fallen down in terms of their market shares and new import partners from Africa and East Asia (including China) have emerged and are increasingly gaining importance. China, Switzerland, Belgium, Korea, UAE, Singapore and Malaysia have emerged as major sources of India's imports. Furthermore, the OECD countries and Developing countries have been the major supplier of the import items. The share of imports from OPEC countries has increased while Russia has declined, while the share of imports from developing countries like Africa, Asia and Latin America has remained more or less constant.

According to Economic survey, 2006-07, the top eleven trading partners of India (exports and imports combined) during 2005-06 were as follows: U.S.A (share 10.6 percent), China (share 7.00 percent), UAE (share 5.1 percent), Germany (share 3.8 percent), UK (share 3.6 percent), Singapore (share 3.5 percent), Belgium (share 3.0 percent), Switzerland (share 2.8 percent), Hongkong (share 2.7 percent), Japan (share 2.6 percent) and Malaysia (share 1.4 percent)<sup>2</sup>.

**On the Basis of Above Study, The Following Suggestions are Worthwhile:**

- ✓ There is an urgent need to create adequate infrastructure facilities for collection, transportation, storage, processing, grading, quality control and marketing of the products.
- ✓ For improvement in the quality of Indian exports there is a strong need to increase the expenditure on research and development.
- ✓ To improve the export performance free from control and creating an atmosphere of faith and transparency, simplification of procedures and bringing down transaction costs are needed. .
- ✓ There is urgent need of a common forum of all developing and under developed countries to discuss the issues regarding global trade.

**Conclusion:**

The share of India's exports to OECD countries has been declining, especially because of the declining share of our exports to the European countries (EU) and Japan. The share of exports to USA and OPEC countries has increased. In the case of Eastern Europe, the share of exports to Eastern Europe has gone down, especially due to declining share of exports to Russia. While the share of exports to developing countries like, Africa, Asia and Latin America has rapidly increased in post-globalization period. Before globalization, Britain had largest share of our exports but in the globalization era the share of Britain in total India's exports declined and U.S.A emerged as the largest single buyers of India's exports. U.S.A. was the single largest buyer of our goods, having about 13.68 percent of our exports in 2014-15. The shares of U.A.E, China, Singapore, U.K., Hong Kong, Germany, Italy and Japan was about 10.64 percent, 3.86 percent, 3.16 percent, 3.02 percent, 4.38 percent, 2.43 percent, 1.64 percent and 1.73 percent respectively in 2014-15. Prior to globalization Russia was one of the principal buyers of our goods, but now its position has gone down. About more than one third (43.97 percent) of our exports go to LDCs (excluding OPEC), while OPEC accounted for 18.15 percent of our exports in the year 2014-15. The analysis of India's imports during the period under study clearly shows that India has obtained maximum imports from U.S.A., the reason being that India has imported large scale quantities of capital goods, intermediate products and food grains (Under P.L. 480 Agreement). The direction of imports also recorded a continuous change where India's dependence for imports from U.S.A and U.K. gradually declined with the opening and expansion of trading relations with other countries like USSR, Japan, Germany, Belgium, Saudi Arabia, etc.

**References:**

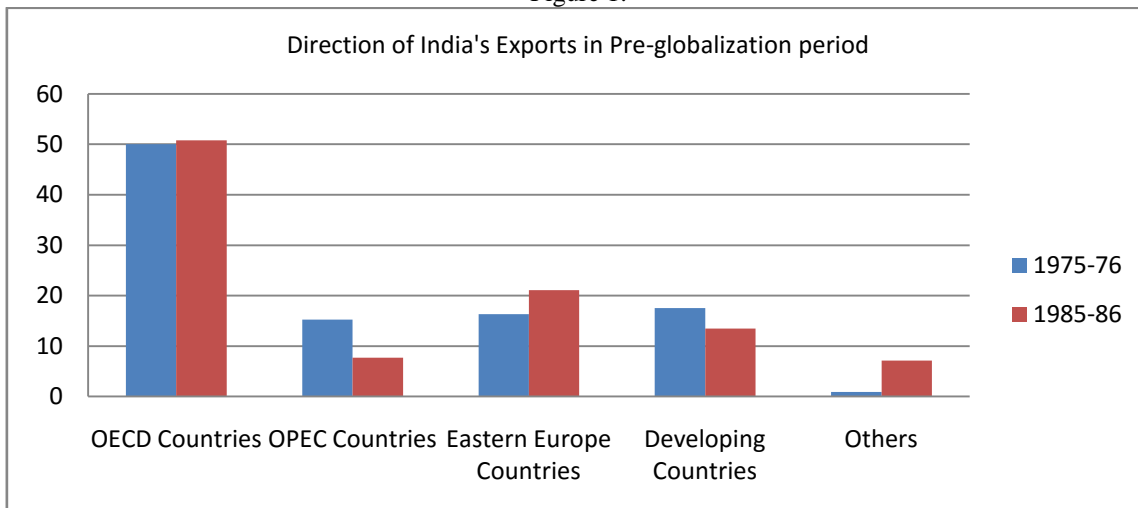
1. Mishra, S.K. & Puri, V.K. "Indian Economy" Himalaya publishing House, Mumbai-400004, pp. 544, 2005.
2. Government of India, Economic Survey 2006-07, Ministry of Finance, New Delhi.
3. Akash, S.B. and H.Y. Kamble (First Published-2006) "WTO and Its Impact on India's Foreign Trade", Globalisation and WTO, Vol. 2, pp. 457-465, Serial Publication, New Delhi.
4. Bhattacharyya, Mukhopadhyay, B.S, and Panda, B. "India's Trade Liberalization since 1991: A Statistical Appraisal" Indian Institute of Foreign Trade, New Delhi, Occasional Paper No. 6, 1996.
5. Kanungo, Anil K. "Indian Export Scene- The Challenge of Exporting" Business Line, 20.09.2006.
6. Krishna, Dr. Manmohan & Jain, Ms. Swati, "India's External Sector: Challenges for the Twenty First Century" VARTA, Vol. XXVIII, No. 1 & 2, pp. 1-11, April & October, 2007.
7. Veeramani, C., Source of India's Export growth in Pre- and Post reform periods, Economic and Political weekly, pp. 3373-3390, July, 23-30,2007.
8. Vohara, Rubina (August, 2001), "Exports and Economic Growth: Further Time Series Evidence from Less-Developed Countries" IAER, Vol. 7, No. 3, pp. 345-350
9. Sultan, Zafar Ahmad & Kumar, Arvind "Structural change in India's Exports: An analysis" Southern Economist, Vol.47, No.21, pp.39-42, Dec. 15, 2008.
10. Vohara, Rubina (August, 2001), "Exports and Economic Growth: Further Time Series Evidence from Less-Developed Countries" IAER, Vol. 7, No. 3, pp. 345-350

Table: 1.1: Direction of India's Exports: 1975-76 to 2014-15 (Rs. Crore)

S.No	Group	Pre-Globalization Period		Post-Globalization Period		
		1975-76	1985-86	1991-92	2005-06	2014-15
1.	OECD Countries	2023.30 (50.05)	5532 (50.77)	25481 (57.85)	202935.8 (44.45)	668600 (35.24)
2.	OPEC Countries	616.13 (15.25)	835 (7.67)	3852 (8.75)	67482.7 (14.75)	344486 (18.15)
3.	Eastern Europe Countries	658.86 (16.30)	2294 (21.05)	4814 (10.94)	8767.9 (1.95)	21001 (1.10)
4.	Developing Countries	708.10 (17.51)	1463 (13.43)	7712 (17.51)	175927.0 (38.55)	834244 (43.97)
5.	Others	35.86 (0.89)	771 (7.08)	2182 (4.95)	1304.5 (0.30)	28695 (1.54)
	Total	4042.25 (100)	10895 (100)	44041 (100)	456417.9 (100)	1897026 (100)

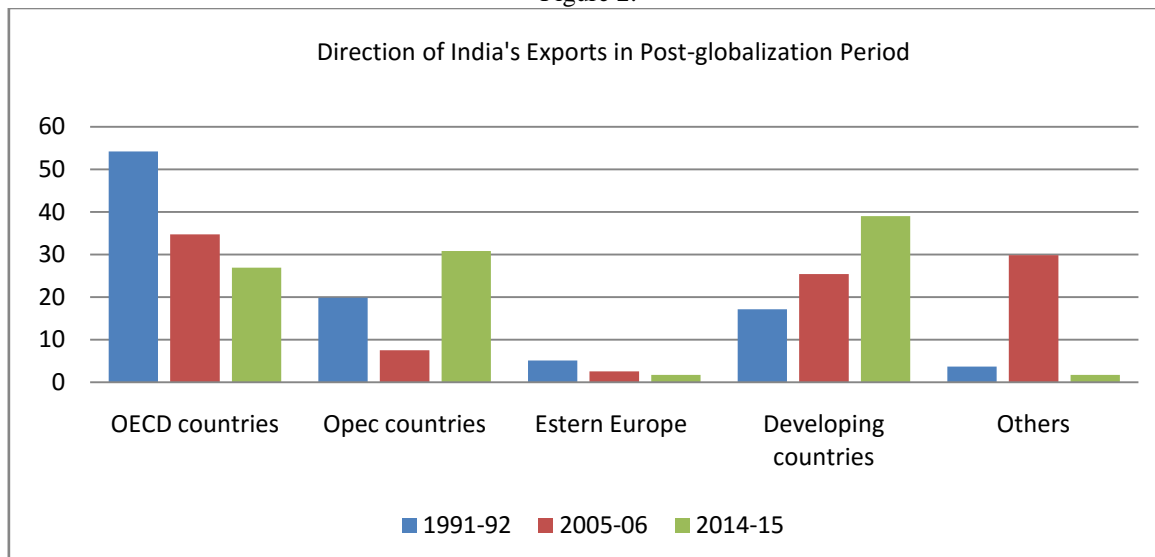
Source: Government of India, Ministry of Finance (New Delhi), Economic Survey, Various Issues & Hand Book of Statistics on the Indian Economy, R.B.I. 2014-15

Figure 1:



Source: Government of India, Ministry of Finance (New Delhi), Economic Survey, Various Issues & Hand Book of Statistics on the Indian Economy, R.B.I. 2015-16.

Figure 2:



Source: Government of India, Ministry of Finance (New Delhi), Economic Survey, Various Issues & Hand Book of Statistics on the Indian Economy, R.B.I. 2015-16.

Table 1.2: India's Exports to Major Countries: 1975-76 to 2014-15 (Rs. Crore)

S.No	Countries	Pre-Liberalization		Post-Liberalization		
		1975-76	1985-86	1991-92	2005-06	2014-15
1.	U.S.A.	519.8 (12.87)	1974 (18.12)	7665 (17.29)	76166.1 (16.74)	259523 (13.68)
2.	U Arab Emt	N.A.	N.A.	1820.4 (4.13)	38043 (8.36)	201853 (10.64)
3.	China	N.A.	N.A.	118.8 (0.26)	29756.9 (6.54)	73169 (3.86)
4.	Singapore	N.A.	N.A.	958.5 (2.17)	24659.6 (5.42)	59855 (3.16)
5.	U.K.	421.32 (10.43)	524 (4.80)	2805.7 (6.37)	22783.1 (5.00)	57179 (3.02)
6.	Hong Kong	N.A.	N.A.	1514.4 (3.44)	19733.6 (4.34)	83119 (4.38)
7.	Germany	117.91 (2.92)	513 (4.70)	3130.5 (7.10)	15570.9 (3.42)	46077 (2.43)
8.	Belgium	45.41 (1.12)	225 (2.06)	1644.1 (3.73)	12631.8 (2.77)	33719 (1.78)

9.	Italy	N.A.	N.A.	1429.7 (3.25)	11023.9 (2.42)	31124 (1.64)
10.	Japan	432.76 (10.72)	1164 (10.68)	4071.1 (9.24)	10885.5 (2.39)	32838 (1.73)
11.	France	86.22 (2.13)	203 (1.86)	1048.8 (2.38)	9065.3 (1.99)	30327 (1.61)
12.	Spain	N.A.	N.A.	N.A.	6919 (1.52)	----
13.	U.S.S.R.	416.6 (10.32)	2006 (18.41)	4042.9@ (9.17)	3231.5 (0.71)	12824 (0.68)
14.	Sri Lanka	N.A.	N.A.	429.4 (0.97)	8936.5 (1.96)	41038 (2.16)
15.	Bangladesh	N.A.	N.A.	798.6 (1.81)	7227.4 (1.59)	39440 (2.08)
Total =		4036.26	10895	44041.8	454800	1897026

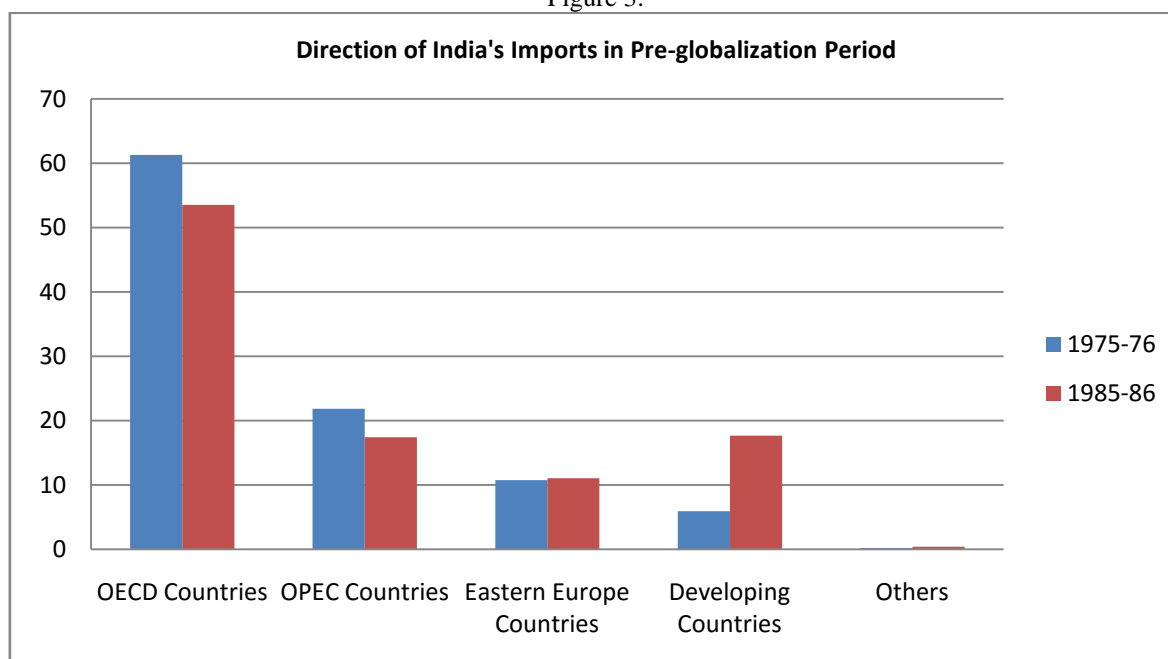
Source: Government of India, Ministry of Finance (New Delhi), Economic Survey, Various Issues & Hand Book of Statistics on the Indian Economy, R.B.I. @ Refers to former USSR before 1992-93

Table 1.3: Direction of India's Imports: 1975-76 to 2014-15 (Rs. Crore)

S.No	Group	Pre-globalization Period		Post-globalization Period		
		1975-76	1985-86	1991-92	2005-06	2014-15
1.	OECD Countries	3225.73 (61.27)	10527 (53.55)	25943 (54.22)	229322.5 (34.72)	736113 (26.93)
2.	OPEC Countries	1151.10 (21.86)	3420 (17.39)	9499 (19.85)	49458.4 (7.49)	836138 (30.58)
3.	Eastern Europe Countries	565.86 (10.75)	2169 (11.04)	2444 (5.11)	16796.7 (2.54)	46912 (1.73)
4.	Developing Countries	311.05 (5.90)	3466 (17.64)	8199 (17.13)	167754.4 (25.40)	1067976 (39.03)
5.	Others	11.46 (0.22)	75 (0.38)	1765 (3.69)	197076.8 (29.85)	46910 (1.73)
Total		5265.20 (100)	19658 (100)	47851 (100)	660409 (100)	2734049 (100)

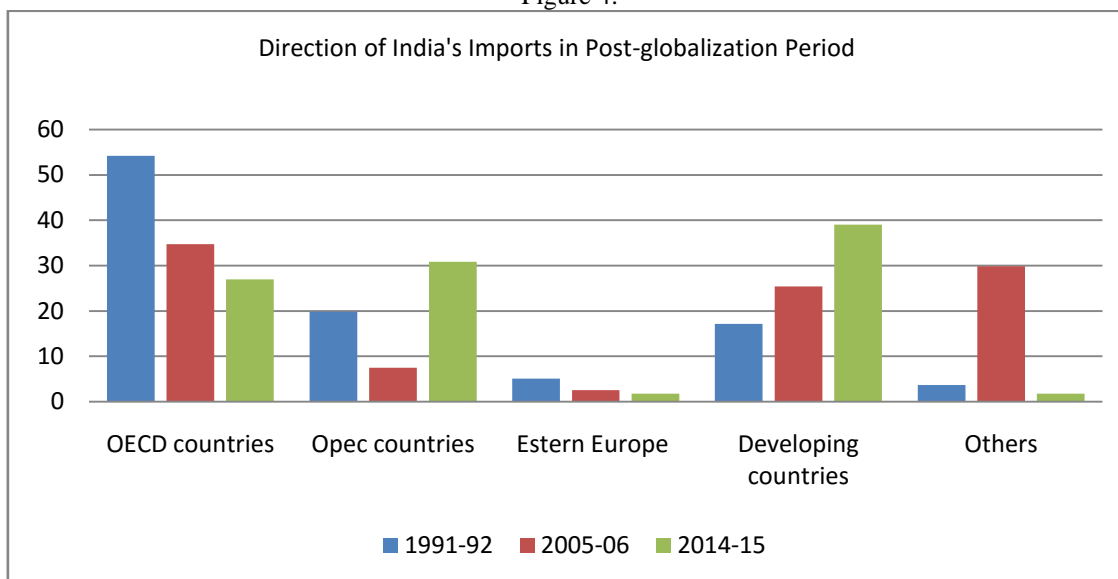
Source: Government of India, Ministry of Finance (New Delhi), Economic Survey, Various Issues & Hand Book of Statistics on the Indian Economy, R.B.I. 2014-15.

Figure 3:



Source: Government of India, Ministry of Finance (New Delhi), Economic Survey, Various Issues & Hand Book of Statistics on the Indian Economy, R.B.I. 2005-06.

Figure 4:



Source: Government of India, Ministry of Finance (New Delhi), Economic Survey, Various Issues & Hand Book of Statistics on the Indian Economy, R.B.I. 2015-16.

Table 1.4: India's Imports from Principal Countries: 1975-76 to 2014-15 (Rs. Crore)

S.No	Group / Countries	Pre-globalization Period		Post-globalization Period		
		1975-76	1985-86	1991-92	2005-06	2014-15
1.	U.S.A.	1285.22 (24.41)	2064 (10.49)	4919 (10.27)	34435.81 (5.21)	133421 (4.88)
2.	Japan	361.18 (6.86)	1774 (9.02)	3375 (7.05)	15727.92 (2.38)	71990 (2.63)
3.	Iran	459.88 (8.73)	885 (4.50)	1435 (2.99)	3036.6 (0.45)	54588 (2.00)
4.	Germany	369.96 (7.02)	1544 (7.85)	3846 @ (8.03)	25760.11 (3.90)	78181 (2.86)
5.	Australia	101.67 (1.93)	442 (2.24)	1445 (3.01)	21477.51 (3.25)	62701 (2.29)
6.	Saudi Arabia	290.13 (5.51)	794 (4.03)	3552 (7.41)	7160.75 (1.08)	171221 (6.26)
7.	U.K.	1517.23 (28.81)	1251 (6.36)	2963 (6.19)	17258.59 (2.61)	30733 (1.12)
8.	Russia	309.78 (5.88)	1678 (8.53)	1796 @@ (3.75)	8819.34 (1.33)	25924 (0.95)
9.	Belgium	86.49 (1.64)	951 (4.83)	3422 (7.15)	20832.47 (3.15)	65939 (2.41)
10.	Switzerland	N.A.	N.A.	372.4 (0.77)	28890.74 (4.37)	135367 (49.50)
11.	China	N.A.	N.A.	51.4 (0.10)	47547.48 (7.19)	369565 (13.52)
12.	U Arab Emts	N.A.	N.A.	3075.3 (6.42)	19091.24 (2.89)	159625 (5.84)
13.	Korea Rp	N.A.	N.A.	N.A.	19229.68 (2.91)	--
14.	Singapore	N.A.	N.A.	1712.5 (3.57)	14301.71 (2.16)	43552 (1.59)
15.	Malaysia	N.A.	N.A.	972.1 (2.03)	10575.10 (1.67)	67919 (2.48)
Total =		5264.71	19658	47851	660409	2734049

Source: Government of India, Ministry of Finance (New Delhi), Economic Survey, Various Issues & Hand Book of Statistics on the Indian Economy, R.B.I. 2014-15.

@ Figure for unified Germany

@@ Refers to former USSR before 1992-93