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TRENDS IN INDIAN FOREIGN TRADE (2009-14): DIRECTION AND COMPOSITION

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Abstract

Foreign trade is one of the major factors of economic growth especially for an economy like India. Keeping this fact in view a new foreign trade policy was announced in 2009 for the years, 2009 to 2014. An attempt has been made in the present paper to analyze the trends , composition and direction of foreign trade for the time period from 2009 to 14 and trade deficit during pre and post time period of the foreign trade policy of 2009 using the CAGR (IN PERCENT) (annual compound growth rate) and Mean. The results of the present paper conclude that no significant change in trade deficit in two time periods has been found. Further it is evident from the results that the both the total volume of imports and exports have increased by more than one and half times during this period (2009-14). As far it concerned to direction of imports and exports, in case of imports, a high rate of growth has been seen with OPEC and Latin American Countries, but the rate remained comparatively low with OECD countries, Africa and Eastern Europe. On the other end, in case of exports, a high rate of growth has been registered with almost all countries.

Keywords

Trade Policy, Deficit, Export, Imports, Trade Balance

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Introduction

Foreign trade is a vital sector of an economy and contributes significantly to the economic welfare of the people and the development of the resources of an economy. This fact raises the question of need for an appropriate trade policy for a country like India. The need for an appropriate trade policy is further strengthened by the fact that, today no country in the world is self sufficient in the sense that it does not possess facilities for economic production of all the goods and services that are consumed by its people. Probably no country can produce all the goods that it needs; therefore there is a need to trade with others. (Morton and Tulloch 1978-*Trade and developing countries, the overseas development Institute, London.*)

The importance of foreign trade for Indian economy can be clearly seen from the data of Indian international trade. India's total merchandise trade increased from US\$ 467 billion in FY 2010 to US\$ 757 billion in FY2015. Exports from India have increased at a CAGR of 11.6% from 179 billion in FY2010 to US\$ 10 billion in FY2015 India export to GDP ratio increased from 13.3% to 15.6% from 2010 to 2015. Share of India in world merchandise export -1.7% in 2014; rank - 19 (up from 29th in 2005).

The global slowdown had its impact on the economy of most of the countries, including India. As a result, the trade deficit abruptly increased from 356448 crores in 2007-08 to 533681 crores in 2008-09, an increase by almost 50 %. However, during 2009-10, export recorded marginal positive growth at 0.57 % and import recorded marginal negative growth at 0.78 %, which was for the first time over the decade. As a result, the trade deficit stood at Rs. 518202 crores with a negative growth of 2.9 % in 2009-10. However, these are global slowdown effect, as after 2009-10, when the economy started picking up, both export as well as import recorded substantial growth of 34.5 % and 23.5 % respectively, resulting in Rs. 546503 crores trade deficit with 5.46% positive growth in 2010-11. (Source: Ministry of Commerce & Industry, Government of India.

New Foreign Trade Policy 2009-14

The foreign trade policy, 2009-14 was announced on 27 August 2009 in the backdrop of a fall in India's export due to global slowdown. The basic objective of new trade policy (2009-14) was to arrest and reverse declining trends is the main aim of the policy within two years, to double India's exports of goods and services by 2014 and to double India's share in global merchandise trade by 2020 as a long term aim of this policy. India's share in global merchandise export was 1.45% in 2008. Simplification of the application procedure for availing various benefits to set in motion the strategies and policy measures which catalyze the growth of export encourage of export through a "mix of measures fiscal including fiscal incentive, institution changes, procedural rationalization and efforts for enhance market access across the world and diversification of export markets. The policy aims at developing export potential, improving export performance boosting foreign trade and earning valuable foreign exchange. FTP assumes great significance this year as India's export has been battered by global recession. a fall in exports has led to the closure of several small and medium scale export-oriented units, resulting in large scale unemployment. Target exports - \$ 200 Billion for 2010-11. Export growth target 15% for next two year and 25% thereafter, EPCG scheme obligation under EPCG scheme relaxed. To aid technological up gradation of export sector, EPCG scheme at zero has been introduced. Export obligation on import of spares, moulds etc. under EPCG scheme has been reduced by 50%. Reification of annual average export obligation, taking into account the decline in export, the facility of re-fixation of annual average export obligation for a particular financial year in which there is decline in export the country, has been extended for the 5 year policy period 2009-14. Support for green products and products from north east extended. Announcement for FMS rose from 2.5% to 3% incentive available under focus product scheme raised from 1.25% to 2%. Extra product included in the scope of benefits under FPS market linked focus product scheme (MLFPS) expanded by inclusion of product like pharmaceutical, textile fabrics and rubber produced and glass products, auto components, motor cars, bicycle and its parts etc. focus product scheme benefits extended for export of green product and some products from North east. A common simplification application form has been introduced to apply for the benefits under FPS, MS, MLFP, Sand, VKUY etc.

Objective

In present research paper an attempt has been made to examine the trends, direction and composition of Indian foreign trade after the implementation of trade policy (2009-14) and highlight and compare the trade deficit during 2004-09 to 2009-14.

Research Methodology

Present paper is based on secondary data collected from various officials, published, unpublished reports, RBI hand Book, and various source of ministry of foreign trade etc.

The present research paper has been divided into two, in part A the foreign trade deficit from 2004-09 to 2009-14 has been shown; the basic purpose of researcher is to compare Indian foreign trade before and after trade policy 2009-14.

Part B deals with trade direction, composition and trends of foreign trade during 2009 to 14. To Analysis data CAGR (in percent) (annual compound growth rate) and basic statistical tool Mean has been used with the aim of simplification of the result.

Part I-

Foreign Trade Deficit

In this section of paper an attempt has been made to examine trade deficit after and before the announcement of trade policy 2009-14.

Where the balance of trade were -27981 US\$ Million in 2004-05. Where export and imports, 83536 and 111517 US\$ Million, respectively. It significantly increased to -118401 US\$ Million in 2008-09 with exports and imports, 185295 and 303696 US\$ Million, respectively and further increased to -137461.5 in 2013-14 due to significant increase in export by 185295 in 2008-09 to 312620.7 US\$ Million in 2013-14 which was more than increase in import from 303696 in 2008-09 to 450082.2 US\$ in 2013-14

(Table-1.1) 1.1 Foreign Trade Deficit

Value in US\$ Million

Sr. No.	Year	Exports	Imports	Trade Balance
1	2004-05	83536	111517	-27981
2	2005-06	103091	149166	-46075
3	2006-07	126414	185735	-59321
4	2007-08	163132	251654	-88522
5	2008-09	185295	303696	-118401
6	2009-10	178751.4	288372.9	-109621.5
7	2010-11	251136.2	369769.1	-118632.9
8	2011-12	305963.9	489319.5	-183355.6
9	2012-13	300400.7	496736.6	-190335.9
10	2013-14	312620.7	450082.2	-137461.5

Source: Directorate General of Commercial Intelligence and Statistics

Part II-

Trends, Direction and composition of foreign trade:

In this section of paper an attempt has been made to examine Trends, Direction and composition of foreign trade during 2009 to 14.

A. Trends of Direction of Imports

Table 1.2 explains the trends of direction of imports during 2009-14, CAGR (annual compound

growth rate) and Mean has been used to clarify the results. The values of CAGR shows that highest growth has been recorded with Latin America followed by OPEC countries, on the other hand, the lowest CAGR has been recorded with Africa followed by OECD Countries (EU, USA, Japan, Australia, and Canada). Highest average imports has been registered with OPEC countries where mean values was 125962.4).

On the other hand, lowest average imports have been recorded with Latin America (10505). In case of overall imports CAGR was 9.31 and mean values was 348048.3. In 2013-14 highest value of imports (177903.4 \$ million) was recorded with OPEC, whereas lowest was recorded with Eastern Europe (7780 \$ million).

1.2 Trends of Direction of Imports

(US \$ million)

countries/region	2009-10	2010-11	2011-12	2012-13	2013-14	CAGR	MEAN
OECD countries	94143	113157	147871.7	141542.7	115138.7	4.108612	101976.2
OPEC	92360.5	124067.8	173660.2	187768.3	177903.4	14.00912	125962.4
Eastern Europe	6157.3	5716.6	8482	7956.9	7780	4.789521	6016.265
Asia	73936.7	100104.7	126543.9	115390.5	111422.4	8.548166	87901.12
Africa	12383.1	13208	19611.3	19272	14992.9	3.898973	13245.2
Latin America	7397.1	8813	11865.4	16545.4	18389.1	19.9775	10505
others	1995.3	4702	1285.1	2260.8	4455.9	17.43173	2452.755
total	288372.9	369769.1	489319.5	490736.6	450082.2	9.311909	348048.3

Source- hand book of RBI 2014

B. Trends and Direction of Export

Table 1.3 explains Trends and Direction of Exports during 2009 to 14. Table shows that CAGR has been highest in case of African countries (value 20.38 percent) followed by Eastern Europe (15.6 percent), Latin America (14.5 percent) and others (14.2 percent).

On the other hand, the value of CAGR remained lowest in case of OPEC countries (9.9 percent) followed by Asia (11.2 percent). The total average compound growth rate of export remained 11.82 percent. The highest average exports have been registered with OECD countries (462536.6) followed by Asia (390789.6) and the lowest with Latin America (57306.2).

Table 1.3 Direction of Export

(US \$ million)

Countries/region	2009-10	2010-11	2011-12	2012-13	2013-14	CAGR	MEAN
OECD countries	64141.6	83350.7	103493.1	102731.5	108808.6	11.14878	462536.6
OPEC	37648.6	53502	58070.6	62896.5	60592.1	9.984994	272719.8
Eastern Europe	1793.3	2813.5	3244.2	3905	3704.4	15.61468	15476.01
Asia	53242.4	70069.3	90790.2	86082	90594.5	11.2164	390789.6
Africa	10417.4	15880.4	20501.8	24394.4	26339.2	20.38397	97553.58
Latin America	6440.1	10090.1	13413.2	14639.7	12708.6	14.56211	57306.26
Others	5068	15430.2	16450.9	5751.6	9873.3	14.26814	52588.27
Total	178751.4	251136.2	305963.9	300400.7	312620.7	11.8288	1348885

Source- hand book of RBI 2014

In case of export trends table shows that the export was high in OECD countries with the value of 108808.6 US \$ million in 2013-14 and it was only 64141.6 US \$ million. The export was almost double with Eastern Europe it was 1793.3 to 3704.4 US \$ million from 2009-10 to 2013-14. Future more table shows that the export was increased more than double with Africa and Latin America it was 10417.4, 6440.1 US \$ million in 2009-10 and 26339.2 and 12708.6 US \$ million in 2013-14 respectively. In case of total export table shows that it increased by 178751.4 US \$ million to 312620.7 US \$ million from 2009-10 to 2013-14.

C. Composition of Major Export Goods

It is evident from the data on composition of major export goods that an average compound growth rate of 11.82 percent of total exports has been recorded for the period of 2009-14, the highest CAGR has been recorded for Agricultural and Allied products (19.14 percent), followed by petroleum products (17.33 percent). On the other hand, we can see negative CAGR for Ores and Minerals i.e. -8.34 percent. As far as concerned to average value of export of different goods it is evident that where the total MEAN value was 269774.6 US \$ million, the highest mean value has been found for Engineer goods (59830.96 US \$ million) followed by Petroleum products (49851.52 US \$ million) and lowest mean value has been noticed for Handicrafts (249.38 US \$ million).

In case of absolute volume table shows an increase of almost two times in export of Agriculture and Allied Products, Chemicals and Related Products, Engineering Goods, Petroleum Products and Textile and Textile Products from 2009 to 2014. Although very insignificant change has been noticed in case of handicrafts (Table- 1.4).

Table- 1.4 Composition of Major Export Goods

(US \$ million)

COMODITY/YEAR	2009-10	2010-11	2011-12	2012-13	2013-14	CAGR	Mean
Agriculture and Allied Products	17734.1	24207.6	37473.3	40937.7	42570.4	19.14058	32584.62
Ores and Minerals	8662.5	8636.6	8450.3	5623.4	5602.7	-8.34613	7395.1
Leather and Manufactures	3361.1	3910.6	4793.6	4888.2	5705.2	11.16239	4531.74
Chemicals and Related Products	22908.8	28871	37104.6	39086.4	41374.7	12.55026	33869.1
Engineering Goods	38271.3	58137.9	67832.2	65374	69539.4	12.68641	59830.96
Textile and Textile Products	19853	24225	28026.6	27363	31476.2	9.655705	26188.76
Gems and Jewellery	28996.3	40476.1	44840.5	43404.3	41067.4	7.208921	39756.92
Handicrafts(excludingHandmade Carpets)	224.8	256.9	277.9	204.1	283.2	4.727175	249.38
Other Manufactured Goods	1565.5	2116.9	2547.2	2632.3	2677.4	11.32996	2307.86
Petroleum Products	28192	41480	56038.6	60859.8	62687.2	17.33041	49851.52
Other (All Commodities)	8982.2	18817.7	18579.2	10027.4	9637	1.417249	13.208.7
Total Exports	178751.4	251136.2	305963.9	300400.7	312620.7	11.8288	269774.6

Source- hand book of RBI 2014

D. Composition of Major Import Goods

Table- 1.5 Compositions of Major Import Goods

(US \$ million)

COMODITY	2009-10	2010-11	2011-12	2012-13	2013-14	CAGR	MEAN
Petroleum	87135.90	105964.40	154967.60	164040.60	165153.70	13.64183	112879.31
Bulk consumption goods	9012.70	8854.80	11654.70	14225.70	11547.60	5.081766	9216.76
Other bulk items	29166.50	36347.90	48310.70	46031.90	39283.10	6.136384	33191.04
Capital Goods	65865.00	78546.10	99223.30	94854.50	85177.90	5.277229	70612.01
Mainly Export Related Items	31270.00	53608.30	51892.90	46912.10	48928.00	9.366904	38770.11
gold and silver	65922.80	86447.70	123270.30	124671.90	99991.80	8.689039	83385.53
Others	13100.80	16086.00	22910.00	29050.20	27306.10	15.82235	18078.15
total imports	288372.90	369769.10	489319.50	490736.60	450082.20	9.311909	348048.27

Source- hand book of RBI 2014

Table 1.5 explains the composition of import of major goods during 2009 to 14. Table explains that over all import increased by 288372.90 US \$ million to 450082.20 with the average compound growth rate of 9.31percent during 2009 to 2014. Although imports declined for one year during this period of time i.e. 2012-13 to 2013-14 (from 490736.60 to 450082.20). Table shows that the import of petroleum almost doubled from 87135.0 to 164040.7 US \$ million during 2009 to 2014 with the Average compound growth rate of 13.64percent higher than all other commodities. In case of gold and silver also imports doubled from 65922.80 to 124671.9 during the period 2009 to 13, however, it decreased during 2013-14 from 124671.90 to 99991.80 US \$ million. Table future highlights that highest MEAN value has been recorded in case of petroleum followed by gold and silver, and capital goods,112879.31, 88385.53 and 70612.01, respectively.

Concluding Remarks:

The following points can be concluded from the results revealed above-

- I. The trends of export and imports remained almost same for the period before and after the announcement of trade policy of 2009. Further, it can be concluded that there has been no significant change in trade deficit during pre and post time period of trade policy of 2009, however trade deficit in 2012-13 almost doubled as comparison to trade deficit in 2007-08.

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- II. In case of direction of imports it can be concluded that highest import has been registered from OPEC countries, besides this, imports from Latin American countries has been increased. In case of direction of Export it has been found that share of exports remained highest from OECD countries and exports increased from Eastern Europe followed by Latin American countries.
- III. Results regarding composition of exports and imports reveal that increase in share of export remained highest in Agriculture and Allied Products followed by Textile and Textile Products, moreover share of Handicrafts remained almost same during this period. In case of imports it can be concluded that total volume of imports and imports of petroleum produced almost doubled during this period of time. Finally it can be concluded that trade policy 2009-14 has failed to fulfill their targets as shown by results.

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