



Research Paper

India Direction of Foreign Trade: Emerging Trends and Patterns

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Abstract

India's foreign trade have played crucial role in the economic development in the past years. Indian economy is growing rapidly and getting significant place in international worldwide. The present study attempts to investigate how the India trading relationship with different regions have changed over time. It also tries to find out what changes has taken place in the direction of trade in the period of study.

Key Words: Trading region, export and imports

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1.1 Introduction

Rising regionalism is a global phenomenon because countries big or small alike have used this to respond to global challenges and developments. They integrate because they do not want to lose out in the global competition for export markets and foreign direct investment. And because of the dynamics in multilateral trade negotiations, small nations resort to regionalism to enhance their bargaining leverage and to gain some degree of international political influence. Emergence of regional trading blocs like Economic Cooperation (EC), North American Free Trade Agreement (NAFTA), and South Asian Association for Regional Cooperation (SAARC), etc has resulted in strengthening of trade relations between the nations in particular and world at large (Karol and Kaushik, 2004).

The role of these trading blocs has increased many times in the process of globalization which has created new type of international environment. In simple words a trade bloc can be defined as a preferential trade agreement between subset of countries, designed to significantly reduce or remove trade barriers within member countries. When a trade bloc comprises neighbouring or geographically close countries, it is referred to as a 'natural' trade bloc, to underline that the preferential trade is between countries that have presumably low transport costs or trade intensively with one another. Trade blocs can also entail deeper forms of integration, for instance of international competition, investment, labour and capital market (including movement of factors of production), monetary policy, etc. The integration of countries into trade blocs is commonly referred to as 'regionalism', irrespective whether the trade bloc has geographical basis or not.

Regional integrations are of different forms depending on the degree of integration. They are classified as

a) Preferential Trade Arrangements: Preferential trade agreement is a trading agreement giving preferential access to certain products from certain countries. This involves reducing tariffs but not their elimination. This is the weakest form of economic integration. The South Asian Preferential Trade Arrangement (SAPTA) between Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka was one such agreement.

b) Free Trade Agreement (FTA): A free trade agreement is the most widespread form of RTAs. In an FTA, member countries eliminate or reduce internal tariff and non-tariff trade barriers (to trade in goods, and also increasingly in services) among members, while each member is free to maintain different most-favoured-nation (MFN) barriers on non-members. Member countries are required to develop rules-of-origin criteria to prevent imports from third countries to be trans-shipped through the member country with the lowest tariffs. The best-known free trade agreements are the European Free Trade

Association (EFTA), the North American Free Trade Agreement (NAFTA), and the Association of Southeast Asian Nations (ASEAN) Free Trade Area (AFTA).

c) Customs Union (CU): A CU moves beyond an FTA by establishing a common external tariff (CET) on imports from non-member countries. Typically, customs unions contain mechanisms to redistribute tariff revenues among member countries. Some examples of Customs Unions

include South African Customs Union (SACU), East African Community Customs Union (EAC), and American Customs Union (CACU).

d) Common Market: Common Markets are a form of 'deep integration', where member countries attempt to harmonise institutional arrangements and laws and regulations among themselves. While all the features of a customs union are present under a common market system, the latter also provides for free movement of factors of production (labour and capital) among the member countries, in addition to the free flow of products (output). The Southern Cone Common Market (MERCOSUR) and the Common Market of Eastern and Southern Africa (COMESA) are examples of well-known common markets. Other prevailing Common Markets include Caribbean Community and Common Market (CARICOM), and the Central American Common Market (CACM).

e) Economic and Monetary Union: The most comprehensive RTA is an Economic and Monetary Union, in which members remove all internal trade barriers, permit the free movement of capital and labour, erect common external trade barriers, and unify their fiscal and monetary policies. Here, member countries share a common currency and macroeconomic policies. The best known and most successful form of a Regional Trade Agreement in the world, in the form of an Economic and Monetary Union is the European Union. Other Economic and Monetary Unions include the West African Economic and Monetary Union (WAEMU), Economic and Monetary Community of Central Africa (CEMAC), Eurasian Economic Community (EEC) and the Economic Cooperation Organization (ECO).

The first PTAs appeared in the 1930s leading to the fragmentation into the trade blocs. This 'old regionalism' is also associated with regional initiatives involving developing countries in the 1950s and 1960s (Bhagwati and Panagariya, 1996). Based on the objective of import-substitution and industrialization, the rationale was that the developing countries could reap the benefits from economies of scale by opening up their trade preferentially among themselves, hence reducing the cost of their individual import-substitution strategy while the trade bloc became more self-sufficient. It is generally accepted that the new regionalism emerged in the mid-eighties and took a greater impulse from the events around 1989, with the changes in East Europe and the end of the Cold War. Within this logic, the new regionalism is referred to as a "new wave" of regionalism, a "new generation" of regional agreements. Thus, we can conclude that the old regionalism was formed within the context of the bipolar Cold War, while the new regionalism has been shaped in a multi polar world order. The old regionalism was characterised by an economic integration process with a protectionist and inward orientation, while economic integration in the new regionalism is generally seen as open and compatible with a global interdependent economy (Axline, 1994). More successful experiences followed with the recent proliferation of trade blocs, the so called 'new (second) regionalism', which involved mostly the countries from north with the south (the North-South trade blocs) (Schiff and Winters, 2003).

The main trade blocs in the world are: the European Union (EU), the European Free Trade Agreement (EFTA), with the United States, the North American Free Trade Agreement (NAFTA), in Latin America, the Common Market of the South (MERCOSUR), the Central American Common Market (CACM), the Latin American Integration Association, the Caribbean Community, the Common Market of Eastern and Southern Africa (COMESA), Preferential Trade Area for Eastern and Southern African States, the Southern African Customs Union (SACU), the Association of Southeast Asian Nations (ASEAN), South Asian Association of Regional Cooperation (SAARC), etc. While there is a proliferation of PTAs in the world, and almost every country in Europe, in Latin America and in sub-Saharan Africa belongs at least to one PTA, not all PTAs are effective at liberalizing intra-bloc trade (Foroutan, 1998).

1.2 Objectives of the Study

1. To study about the trade relationship of India with different trading regions
2. To study the direction of India's trade
3. To identify the changes in the direction of India trade.
4. To make a comparison of the Direction of India's foreign trade (exports and imports) between the years 2011 and 2019.

1.3 Hypothesis of the Study

1. There is no significant difference in exports and imports of India since 2010.

1.4 Review of Literature

Rehman, O. U. (2016): studied India's foreign trade since 1947 and its impact on Indian economy growth. The findings reveal that in the last decade and at present, the trade composition is dominated by manufactured goods. The share of exports of Indian service sector in global exports is more than double of that of Indian exports.

Sinha, M. K. (2016): analysed the structural changes in composition of India's export during posteconomic reform period. India has switched from the strategy of import substitution to export promotion during the post reform period which has helped India to increase its export significantly. It is highlighted that earlier our export focus was on traditional and primary commodities; which now comprises of industrial, engineering and manufactured and processed goods in addition to primary goods.

Bhat, T. P. (2011): worked on the structural changes in India's foreign trade. The post-reform period has witnessed significant changes in the trend, pattern and structure of external trade. The growth of services has been more pronounced which is also indicated by its increased share in exports. The share of primary products has fallen, whereas, that of petroleum products has shown an increase. Also, it is highlighted that in the post reform period the growth of imports exceeded that of exports leading to huge deficit in current account payments. The study has also characterised Indian economy by a shallow integration with the world economy as India has not opened up to international trade and foreign trade investment as much as other emerging Asian countries.

Pillania, R. K. (2008): evaluated India's foreign trade since 1950-51. It is mentioned that East Asian countries, particularly China have become a major trading block. During 1950-70, India had adopted the policy of export pessimism and import substitution. Export promotion schemes were adopted during 1970s and 1980s due to which performance of exports improved. However, post-1991, imports and exports both picked up.

1.5 Methods and material

To fulfil the objectives of the study, secondary data has been drawn from Economic Survey 2017-18 Statistical Appendix and World Integrated Trade System (WITS). The study has been done for India as a whole. For easy comprehensibility of the data, it has been presented in the form of tables and figures.

1.6 Past status of India's trade with major Regions

Socialist strategy of state-directed, heavy industry-based industrialisation complemented by an across-the-board import substitution policy, financial repression and complex industrial requirements pursued in order to achieve the reduction of the high levels of poverty that existed at that time in the country. These interventionist development policies led to a severely distorted production structure. While growth did pick up in the latter half of the 1970s, the Indian economy was generally mired in a vicious circle of low productivity and slow growth. Not only was the performance of the Indian economy well below the targets set by the planning authorities, the country was left lagging in terms of economic growth and development relative to its East Asian neighbours such as China and Korea, which had broadly similar levels of per capita income at the time of India's independence (Kelkar, 2001).

Although some tentative steps were taken in 1985 to liberalise and unshackle the economy by delicensing a few industries, these partial and rather ad hoc measures contributed to the creation of severe and unsustainable macroeconomic imbalances in the Indian economy, particularly with regard to escalating fiscal deficits. The imbalances corresponded to a period of severe political instability and uncertainty following three successive minority governments during 1989-91. While the fragilities in the Indian economy were largely homemade, the shock of the 1990 Gulf war was the single factor which brought India to the brink of an international default, something that had never

occurred in its post-independence history. Faced with a severe balance of payments crisis as foreign exchange reserves plummeted to US\$1 billion in late June 1991, barely sufficient to cover a fortnight's worth of imports, India entered into an IMF structural adjustment program. In addition to the conventional expenditure switching and reducing policies, as part of the IMF agreement, a range of far-reaching economic policy reforms was launched in July 1991 in the external, industrial, financial and public sectors. These reforms appear to have paid significant dividends at the macroeconomic level. The Indian economy recovered smartly from the crisis, real GDP growing at an annual average rate of 6.4 percent between 1992 and 1998 (Rajan and Sen, 2002). Not only was this a marked improvement from India's own past, it was the second highest rate of growth in the world behind China. This in turn may be partly attributable to the fact that post-1991 growth was driven principally by an expansion of private investment while national savings simultaneously rose, thus ensuring that there was no significant pressure on the balance of payments position (compared with the consumption-led growth of the mid to late 1980s).

At the time of independence, India's share in the world market was around 2.00 per cent but during early 1980s it declined to 0.50 per cent. In 1990-91, India's share in the world trade went up to 0.53 per cent. In 1995-96, there was 20 per cent increase in it, that is, it rose to 0.60 per cent. In 2003-04 it further increased to 0.8 per cent. India's share in world trade has gone up significantly since 2004 from 1.1% in 2004 i.e., the initial year of the Foreign Trade Policy (2004-09) – to 1.5% in 2006. And now India again acquired a share of 1.8 per cent in global trade. The country was ranked 20th in global trade, up from 27th in 2007. India's share of merchandise exports amounted to around 1.71 percent of the total global exports in 2019. Moreover, the share of commercial service exports from the country was higher at 3.5 percent during that same period. (<http://commerce.nic.in>).

Table 1.1: Indian Exports – Region wise (Value in US\$ Million)

<i>Sr.no.</i>	<i>Region</i>	<i>2009-10</i>	<i>%share</i>	<i>2010-11</i>	<i>%share</i>	<i>% Growth</i>
1	ASEAN	18,113.71	10.1335	27,277.81	10.8618	50.59
2	CARs Countries	269.27	0.1506	293.62	0.1169	9.04
3	Central Africa	349.63	0.1956	470.65	0.1874	34.61
4	East Africa	3,512.18	1.9648	5,564.08	2.2156	58.42
5	East Asia	1,690.16	0.9455	1,965.60	0.7827	16.30
6	East Europe	120.64	0.0675	143.33	0.0571	18.80
7	EU Countries (27)	36,028.05	20.1554	46,819.48	18.6431	29.95
8	Latin America	6,210.42	3.4743	10,234.76	4.0754	64.80
9	NE Asia	28,904.56	16.1703	42,103.43	16.7652	45.66
10	North America	20,658.26	11.5570	26,909.69	10.7152	30.26
11	Other CIS countries	1,418.41	0.7935	2,569.88	1.0233	81.18
12	Other WE countries	2,374.65	1.3285	3,696.79	1.4720	55.68
13	South Asia	8,390.69	4.6941	12,878.75	5.1282	53.49
14	Southern Africa	3,308.95	1.8511	5,700.69	2.2700	72.28
15	Unspecified	4,911.05	2.7474	3,203.57	1.2756	-34.77
16	WANA	39,353.76	22.0159	56,757.99	22.6005	44.23
17	West Africa	3,137.03	1.7550	4,545.75	1.8101	44.91
	<i>India's Total Export</i>	<i>1,78,751.43</i>		<i>2,51,135.89</i>		<i>40.49</i>

Source: www.dippi.nic.in

Region wise Indian exports are tabulated in table 1.1. WANA was the biggest destination for Indian exports accounting for 22.02 per cent of total Indian exports for the year 2009-10. The share of EU, North Asia and North America stood at 20.15 per cent, 16.17 per cent and 11.55 per cent respectively, whereas the East Europe contributed for only 0.06 per cent of total Indian exports for the same time period. In 2010-11 the share per cent of WANA and North Asia increased slightly to 22.06 per cent and 16.76 per cent

respectively. In contrast the share of EU and North America declined to 18.64 per cent and 10.71 per cent respectively for the same time period.

Table 1.2: Indian Imports – Region wise (Value in US\$ Million)

Sr.no	Region	2009-10	%share	2010-11	%share	% Growth
1	EU Countries (27)	38,433.12	13.3276	44,539.93	12.0453	15.89
2	Other WE countries	17,219.43	5.9712	26,589.40	7.1908	54.42
3	East Europe	60.07	0.0208	51.35	0.0139	-14.52
4	Southern Africa	10,191.94	3.5343	12,573.98	3.4005	23.37
5	West Africa	9,864.24	3.4207	12,862.57	3.4785	30.40
6	Central Africa	270.43	0.0938	45.74	0.012.4	-83.09
7	East Africa	388.49	0.1347	579.73	0.1568	49.22
8	North America	19,071.03	6.6133	22,080.70	5.9715	15.78
9	Latin America	10,403.40	3.6076	14,205.90	3.8418	36.55
10	East Asia	13,025.44	4.5169	11,639.08	3.1477	-10.64
11	ASEAN	25,797.96	8.9460	30,607.96	8.2776	18.64
12	WANA	81,400.40	28.2275	105,616.45	28.5628	29.75
13	NE Asia	53,491.57	18.5494	76,109.73	20.5830	42.28
14	South Asia	1,657.34	0.5747	2,173.37	0.5878	31.14
15	CARs Countries	212.37	0.0736	192.99	0.0522	-9.12
16	Other CIS countries	5,891.63	2.0431	5,471.29	1.4796	-7.13
17	Unspecified	994.01	0.3447	4,428.95	1.1978	345.57
	<i>India's Total Import</i>	2,88,372.88		3,69,769.13		28.23

Source: www.dippi.nic.in

Region wise Indian imports are tabulated in table 1.2. WANA was the biggest destination for Indian imports accounting for 28.22 per cent of total Indian imports for the year 2009-10. The share of EU, North Asia and North America stood at 13.33 per cent, 18.55 per cent and 6.16 per cent respectively, whereas the East Europe contributed for only 0.02 per cent of total Indian imports for the same time period. In 2010-11 the share per cent of WANA and North Asia increased slightly to 28.56 per cent and 20.58 per cent respectively. In contrast the share of EU and North America declined to 12.04 per cent and 5.97 per cent respectively for the same time period.

1.7 Present status of India's trade with major Regions

The major export destination of India in the year 2019-20 was North America with 19.00 percent, European union with 14.35 per cent was the second and with 12.9 per cent share West Asia was the third major destination for India's export. There was a change in export destination of India as compared to 2010-11. The same has been tabulated in table 1.4.

Table 1.3: Indian Exports – Region wise (Value in US\$ Million)

Sr.No.	Region	2019-2020	%Share	2020-2021	%Share	%Growth
1	EU Countries	44,991.02	14.3576	41,359.93	14.1737	-8.07
2	European Free Trade Associatipn (EFTA)	1,636.10	0.5221	1,598.67	0.5478	-2.29
3	Other European Countries	13,893.00	4.4335	12,306.23	4.2172	-11.42
4	Southern African Customs Union (SACU)	4,412.45	1.4081	4,222.11	1.4469	-4.31
5	Other South African Countries	2,868.18	0.9153	1,935.52	0.6633	-32.52

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6	West Africa	8,176.68	2.6093	9,450.17	3.2385	15.57
7	Central Africa	1,456.21	0.4647	1,532.86	0.5253	5.26
8	East Africa	6,636.38	2.1178	5,785.06	1.9825	-12.83
9	North Africa	5,441.01	1.7363	4,807.63	1.6475	-11.64
10	North America	59,564.28	19.0082	57,670.58	19.7632	-3.18
11	Latin America	10,058.96	3.21	10,103.87	3.4625	0.45
12	East Asia (Oceania)	3,358.63	1.0718	4,666.84	1.5993	38.95
13	ASEAN	31,546.58	10.0672	31,485.58	10.7898	-0.19
14	West Asia- GCC	40,466.26	12.9136	27,758.72	9.5127	-31.4
15	Other West Asia	10,660.11	3.4019	7,706.23	2.6409	-27.71
16	NE Asia	38,651.32	12.3344	42,119.58	14.434	8.97
17	South Asia	21,941.38	7.0019	22,077.79	7.5658	0.62
18	CARs Countries	469.33	0.1498	658.52	0.2257	40.31
19	Other CIS Countries	3,722.42	1.1879	3,400.34	1.1653	-8.65
20	Unspecified	3,410.75	1.0884	1,162.24	0.3983	-65.92
	India's Total Export	3,13,361.04		2,91,808.48		-6.88

Source: www.dippi.nic.in

Region wise Indian imports for the year 2019-20 has been tabulated in table 1.4. north east Asia was the biggest destination for Indian imports accounting for 24.09 per cent of total Indian imports for the year 2019-20. The share of West Asia and ASEAN stood at 16.95 per cent, 11.66 per cent respectively, whereas the Central Africa contributed for only 0.80 per cent of total Indian imports for the same time period.

Table 1.4: Indian Imports – Region wise (Value in US\$ Million)

S.No	Region	2019-2020	%Share	2020-2021	%Share	%Growth
1	EU Countries	45,041.30	9.4882	39,716.21	10.0691	-11.82
2	European Free Trade Associatipn (EFTA)	17,541.50	3.6952	18,911.17	4.7945	7.81
3	Other European Countries	8,906.21	1.8761	6,446.84	1.6344	-27.61
4	Southern African Customs Union (SACU)	7,749.42	1.6325	8,111.18	2.0564	4.67
5	Other South African Countries	5,340.99	1.1251	2,643.55	0.6702	-50.5
6	West Africa	17,237.55	3.6312	11,730.57	2.974	-31.95
7	Central Africa	377.11	0.0794	112.79	0.0286	-70.09
8	East Africa	1,436.24	0.3026	1,280.90	0.3247	-10.82
9	North Africa	5,551.65	1.1695	4,300.16	1.0902	-22.54
10	North America	43,997.00	9.2682	34,420.44	8.7265	-21.77
11	Latin America	17,074.90	3.5969	12,479.20	3.1638	-26.91
12	East Asia (Oceania)	10,402.61	2.1914	8,790.43	2.2286	-15.5
13	ASEAN	55,369.87	11.6643	47,420.63	12.0224	-14.36
14	West Asia- GCC	80,464.64	16.9503	59,589.45	15.1075	-25.94
15	Other West Asia	27,863.87	5.8697	17,710.96	4.4902	-36.44
16	NE Asia	1,14,346.52	24.0877	1,08,145.89	27.4179	-5.42
17	South Asia	3,835.58	0.808	3,377.12	0.8562	-11.95
18	CARs Countries	2,328.16	0.4904	826.43	0.2095	-64.5
19	Other CIS Countries	9,588.35	2.0198	8,326.68	2.111	-13.16
20	Unspecified	255.8	0.0539	95.27	0.0242	-62.76

<i>India's Total Import</i>	4,74,709.2 8	3,94,435.8 8	-16.91
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Source: www.dippi.nic.in

1.8 Conclusion

The region towards which India's export has been destined as North America, West Asia and North Asia. In north America USA has also been a biggest trade partner of India. The India's Imports mainly came from Asia Region. The major Import Partners of India was West Asia and North Asia for the year 2019-20 and 2020-21. India can increase its trade by exploring its Asia partners.

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