

Foreign trade – its changing composition and encouraging scenario assignment

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Foreign trade : Changing composition and encouraging scenario| | | |

Foreign trade has played a crucial role in India's economy growth. The composition and direction of India's foreign trade has undergone substantial changes, particularly, after the liberalization process which began in the early 1990s. Our major exports now includes manufacturing goods such as Engineering Goods, Petroleum Products, Chemicals & Related Products, Gems & Jewellery, Textiles, Electronic Goods, etc. which constitute over 80 per cent of our export basket.

On the other hand, major import items constitute capital goods and intermediates which not only support the manufacturing sector but also supply raw-materials for the export oriented units. Over the years, India's trade with countries of Asia ; ASEAN and Africa has gone up substantially. Apart from that, India is now a major player in global trading system and all the major sectors of Indian economy are linked to world outside either directly or indirectly through international trade. Total Trade Of Exports And Imports Over The Years In Crore Rupees| |

Year	Exports	Imports	Total Trade	Trade Deficit
2000-01	209018	230873	434444	-27302
2001-02	255137	245200	454218	-36182
2002-03	293367	297206	552343	-42069
2003-04	375340	359108	652475	-65741
2004-05	375340	501065	876405	-125725
2005-06	456483	635013	1091496	-178530
2006-07	571779	840506	1412286	-268727
2007-08	655864	1012312	1668176	-356448
2008-09(P)	766935	1385503	2072338	-538568

India has much reason to celebrate, thanks to its performance in world trade. During December 2003, both imports and exports grew at unprecedented rates.

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While imports rose by 45%, exports increased by 43% Even though figures for January show a slight slow down by comparison for both exports (9% growth) and imports (18% growth), it does not take away from the overall high rise in trade through 2003. At a time when the world economy is just about recovering, Indian incomes are actually growing fast as is evident from the rising imports, besides the other economic variables. This implies that the country's growth is independent of world growth. The rising exports are a reflection of the fact that India ' s export sector is making headway.

This is of special significance at a time when the Indian rupee is rising against the American dollar. Since the beginning of 2003, the rupee has been more or less steadily rising against the dollar, and the rise would probably have been higher than what it has been, had the central bank (RBI) not intervened. While an appreciation in the rupee makes exports expensive for the US, which is India ' s largest trading partner, it has evidently not made much difference to India ' s exports Exports rise but trade gap widens

The performance in January has taken the sheen out of India's shining export sector. Export growth dropped to 8. 7 per cent in January after registering an unprecedented growth of 42 per cent in December. The overall export growth for the current fiscal still remains on track to meet the target of 12 per cent, but the hopes generated by the December performance have been dashed. According to latest trade figures released by the Commerce Ministry, exports in January 2004 were valued at \$ 5. 117 billion against \$ 4. 706 billion in January 2003. This worked out to a growth of 8. per cent. In January 2003, exports had grown by 10. 6 per cent. Overall, in the first 10 months

(April-January) of the current fiscal, exports grew by 12.8 per cent. In the corresponding period last year, exports had recorded a growth of 17.1 per cent. During April-January 2003-04, exports amounted to \$ 47.502 billion against \$ 42.1 billion during April-January 2002-03. The current financial year has been particularly challenging for India's exports with the rupee gaining in value against dollar, thereby eroding export competitiveness.

Exporters also have been complaining about the withdrawal of tax benefits, instability in policies regarding export incentives and non-availability of export credit at internationally competitive rates. Except for the strong pre-Christmas overseas consumer demand, the December spurt in export growth has remained unexplained although the government was then quick to claim a "turn-around" in the export sector. India's imports, on the other hand, continue to show a healthy growth, indicative of the general revival in industrial activity in the country this year.

Imports during April-January 2003-04 were valued at \$ 62 billion, representing an increase of 24.7 per cent over imports worth \$ 49.667 billion during April-January 2002-03. High import growth coupled with moderate export growth this fiscal resulted in a widening of the trade deficit, which is the excess of imports over exports. The trade gap during April-January 2003-04 almost doubled to \$ 14.43 billion from \$ 7.566 billion during April-January 2002-03.

Year	Exports	Growth Rate	Imports	Growth Rate	Trade Deficit
2000-01	203571	27.1	230873	7.3	-27302
2001-02	209018	2.7	245200	6.2	-36182
2002-03	255137	22.1	297206	21.1	-42069
2003-04	47502	12.8	62000	24.7	14498

Rs Crore

2| -42069| ??| | | 2003-04| 293367| 15. 0| 359108| 20. 8| -65741| ??| | | 2004-05| 375340| 27. 9| 501065| 39. 5| -125725| ??| | | 2005-06| 456418| 21. 6| 660409| 31. 8| -203991| ??| | | 2005-06 (Apr-Mar)| 456417. 86| 23. 53| 660408. 90| 24. 25| -203991. 04| ??| | | 2006-07 (P) (Apr-Dec)| 408394. 10| 25. 83| 598286. 68| 28. 70| -189892. 58| ??|

India's Foreign Trade (in Rs Crores) Exports during May, 2009 were valued at Rs. 53435 crore, which was 18. per cent lower in rupee terms than the level of Rs. 65506 crore during May, 2008. Cumulative value of exports for the period April-May, 2009 was Rs. 107214 crore as against Rs. 129846 crore, registering a negative growth of 17. 4 per cent over the same period last year. Imports during May, 2009 were valued at Rs. 78682 crore, representing a decrease of 30. 0 per cent over the level of imports valued at Rs. 112405 crore in May, 2008. Cumulative value of imports for the period April-May 2009 was Rs. 157514 crore as against Rs. 211752 crore, registering a negative growth of 25. 6 per cent over the same period last year