

Recent Trends in India's International Trade

Shankar Prakash Hublikar^{#1}, Dr.Sanatkumar.B.S[#]

[#]Assistant Professor, Basic Sciences and Humanities, Agnel Institute of Technology and Design, Assagao, Goa, India

Abstract: International trade is the key for every nation's growth and development. In the current globalized economy all the countries have realized its interdependence on other nations for one or the other resources, commodities and services. This paper emphasizes on recent trends in India's international trade. It analyzes the trends in merchandised trade and services trade for the recent financial years. It also studies the top 10 principle commodities of imports and exports in India's trade basket. India is one of the fastest emerging economies in the world with higher population growth and increasing consumer demands. With increase in the per capita income of the lower and middle-income group of people India has emerged as biggest market in imports of goods and services from different countries of the world. This paper also examines India's top 10 trading partners in the form of top 10 export destinations and top 10 import sources. The present scenario of India's international trade indicates that the major concern is India's merchandised trade deficit reaching the level of 162.2 US\$ billion indicating merchandised imports are increasing at a faster rate. On the other hand, positive aspect is India's services trade surplus of 76.2 US\$ billions.

Keywords: Exports, Imports, International trade, Merchandise trade, Services trade.

I. Introduction

In the current competitive world, no country is independent or self-sufficient to cater its needs and requirement. Every part of the world is interconnected with each other. It is difficult to experience growth and advancement for a nation by adapting closed economy structure. Survival of the country is nearly impossible without international trade. Many trade theories explained that international trade is an engine of growth for any economy or a country and India is not an exception to it. India adapted Liberalization Privatization and Globalization (LPG) policy in the beginning of 1990s which increased the openness of the Indian economy to the global world by removing trade barriers which existed before and enhanced the import and exports of goods and services in the form of international trade. Endowed with huge human capital resources and trade potentials Currently India has become one of the fastest growing economies in the world. With strong democracy and sound structural economic policies India is expected to be one of the top three economic powers of the world over the next 10-15 years [1]. As per forecast of International Monetary Fund (IMF) Indian economy is expected to grow at 7.4% in 2018 and 7.8% in 2019 [2]. To compete with top 5 largest economies of the world India must focus on its international trade policies.

II. Objectives

1. To understand India's merchandise trade performance.
2. To study India's service trade Performance.
3. To analyze top 10 commodities of exports and imports in India's trade basket.
4. To understand the India's major trading Partners.

III. Research Methodology

International trade is a macro level topic including international shipment flows beyond the international territories; therefore, it is difficult to collect the data from primary sources. This paper is completely prepared based on secondary sources of data collected from the websites of World Trade Organization (WTO), database web portals of Directorate General of Commercial Intelligence and Statistics (DGCI&S), Kolkata, under the Ministry of Commerce, Government of India, Database of Reserve Bank of India (RBI), Journals, articles and web links. Simple statistical tools like pie charts, bar graph, column graphs and tables are used to analyze the trends in international trade and to make pictorial presentations of raw data.

IV. Literature Review

The foreign or international trade refers to the exchange or transmission of goods, capital or specific services beyond the international territory with the prior authentication from the government authorities. A product or service that is transmitted to the international market refers as an Export while the import refers to

buying the product or service from beyond the international border [3].

After Globalization the International trade played a very important role in increasing the GDP level of India. The international trade helped to boost India's economic growth by increasing exports and imports [4].

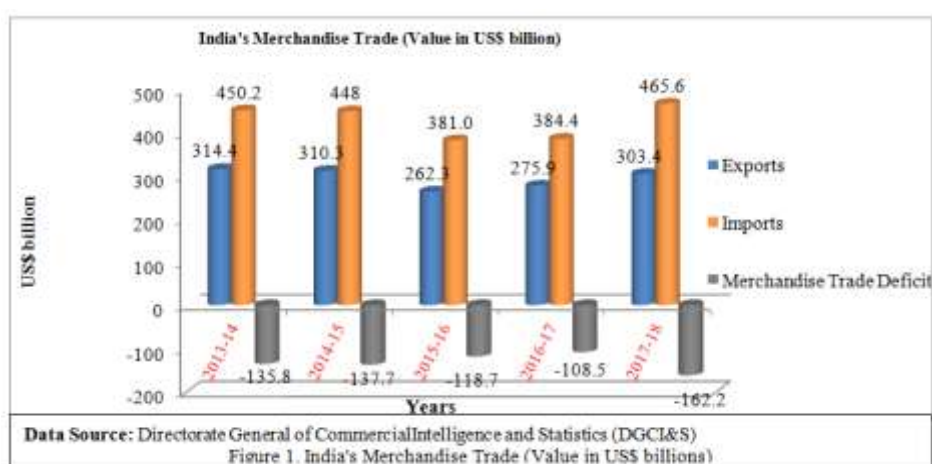
In present dynamic world of technological advancement there is a need to understand the factor endowments of resources which differ from country to country and region to region. Nations are not endowed with all the resources; there is a scarcity of some resources and abundance of some resources. If we consider India's resource availability it has an advantage of labour abundance and agriculture sector at the same time it has scarcity of crude oil. Therefore, it is realized fact that India is dependent on other nations for some goods and services and international trade provides that opportunity for import of crude oil and scarce resources. At the same time international trade has provided the platform for exporting some goods and services from India to gain foreign currencies. International Trade has become priority sector for Indian economic growth.

V. India's Foreign Trade Performance

Foreign trade (International trade) refers to Import and export of goods and services. The broad composition of foreign trade comprises of merchandised trade and Services trade.

A. India's Merchandise Trade Performance

Merchandise trade means import and export of goods (commodities).



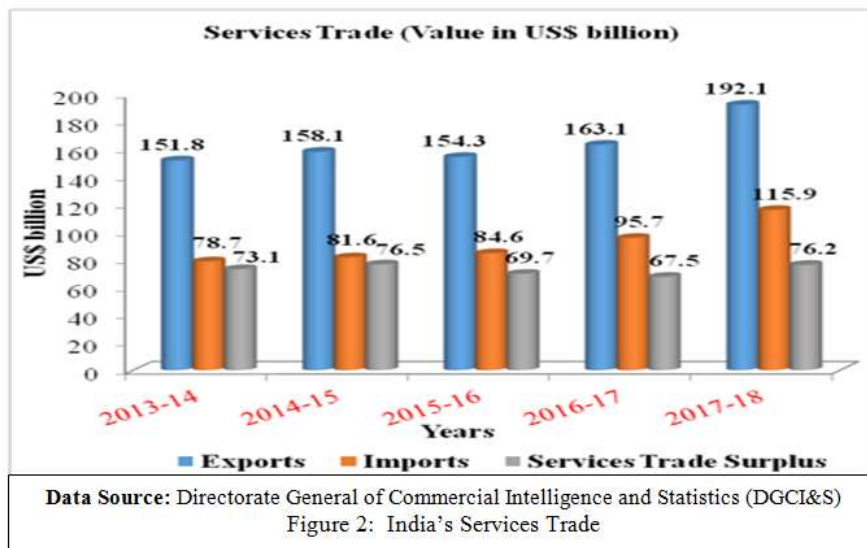
The above figure 1 explains the trends in merchandise trade for five financial years. It examines three series set of data (i.e. Exports, Imports and Merchandise trade deficit). Financial year 2013-14 & 2014-15 experienced higher levels of exports worth 314.4 US\$ billion, but immediate next two financial year i.e. 2015-16 & 2016-17 experienced a drastic fall in exports leading to decrease in foreign exchange earnings.

The major concern for India's exports is about 70% of India's exports are of products whose share in the total world trade is only 30%. Indicating India's current exports goods are least in demand by the rest of the world. This implies that India must focus on increasing the exports of products, which have become important in the world trade, while ensuring continued focus on sectors where India already has strengths. India should pay more attention towards the products like medical devices, technical textiles, agro processing, chemicals and defense equipment's. Along with it India must promote the exports of those products which have high value creation and employment generation capacity. India's strong domestic manufacturing base and the initiatives like 'make in India' will play a key role in India's overall export growth strategy. [5]

The second set of data series showcases trends in India's imports which explains that initially in 2013-14 the imports accounted for 450.2 US\$ billion later it decreased for the next three financial years. But year 2017-18 experienced a tremendous increase in imports accounting up to 465.6 US\$ billion reaching to its highest level compared to last five financial years. Higher levels of imports mean India must give up large amount of foreign currencies to imports goods from other nations. Higher imports are putting huge pressure on foreign exchange reserves of India. At the same time, it exposes the nation towards higher dependency on other nations leading to external risk in long run due to political instability.

The third set of data series examines the merchandise trade deficit. Merchandise trade deficit indicates the difference between exports and imports of goods (commodities). In simplest terms Merchandise trade deficit is export minus imports (Merchandise trade deficit = Merchandise Exports – Merchandise Imports). Deficit in the merchandised trade indicates by what extent exports are falling short of imports (Export < Imports). The above figure explains that initially in 2013-14 deficit was 135.8 US\$ billion. Later in the year 2016-17 it decreased to 108.5 US\$ billion showing a positive sign of increased exports. But financial year 2017-18 experienced the worst deficit trend of 162.2 US\$ billion reaching at its maximum level indicating negative aspects. Year 2017-18 is a major concern for India's international trade due to high merchandise trade deficit, the reason for high deficit is merchandised imports increased at its highest level of 465.6 US\$ billion and the merchandise exports remained at the level of 303.4 US\$ creating the wide difference in import and exports. Higher merchandised trade deficit implies higher pressure on India's foreign exchange reserves as now India must pay more foreign currency to the rest of the world.

B. India's Services Trade



The above figure 2 exhibits the trends in imports and exports in services trade. If we compare the merchandise trade and services trade of India it can be observed that services trade is more advantageous to the Indian economy. The service trade is the dominant sector in India's GDP and has attracted significant foreign direct investment (FDI) flows between April 2000 & June 2018 totaling up to US\$ 68.62 billion. India is globally known for its services driven growth contributing significantly to exports of services and creation large-scale employment. India's services sector includes vast range of activities such as financing, insurance, real estate, business services, hotel and restaurants, software, transport, storage and communication, community, social and personal services, and services associated with construction. India dominates in the software services and commercial services. The services sector is the key driver of India's economic growth therefore India needs to explore its potentials in service sector by initiating new policy framework to increase the private investment and attracting more FDI inflows in services.

The figure 2 explains the trends in services trade for the five consecutive financial years beginning with 2013-14 to 2017-18. The three-series data includes (Exports, Imports and Services trade surplus). From India's perspective trade in services is one of the most advantageous sectors of international trade. India's Exports in services is the brightest spot of international trade exhibiting continues increase in exports from 151.8 US\$ billion in 2013-14 to 192.1 US\$ billions in 2017-18. Top five contributors to the services trades for the financial year 2017-18 are the following: i) Telecommunication, computer and information services (79.8 US\$ billions), ii) Business services (37.3 US\$ billions). iii) Travel (28.3 US\$ billions), iv) Transportation (17.4 US\$ billions), v) Financial services (5.1 US\$ billions).

The second column data indicates the Imports of services which shows a gradual increasing trend from 78.7 US\$ Billions in 2013-14 to 115.9 US\$ billions in 2017-18. The critical point to observe in terms of imports is that the recent financial year (2017-18) has experienced the high levels of imports in services i.e. imports have increased by 21.10 % with respect to previous financial year of 2016-17.

Third series of data analyzes services trade surplus. Services trade surplus indicates the difference between export and import of services. In simple terms Services trade surplus is export minus imports (Services

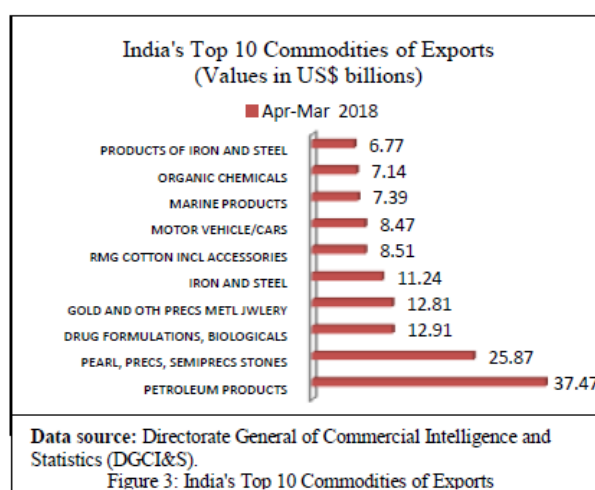
trade surplus = Services Exports – Services Imports). Services trade surplus indicates the positive sign of nations exports in services are greater than imports (Exports > Imports). Services trade surplus implies that country is earning more foreign exchange reserves by higher level of exports. From India's present perspective and scenario services trade surplus is a most powerful balancing tool to recover the huge deficit in merchandise trade and bring back the India's international trade on track.

VI. India's top 10 commodities of exports.

TABLE I India's Top 10 commodities of exports

Rank	Commodity	Apr-Mar 2018	% Growth	% Share
1	Petroleum Products	37.47	18.77	12.34
2	Pearl, Precs, Semi-prec stones	25.87	3.8	8.52
3	Drug Formulations, Biologicals	12.91	1.92	4.25
4	Gold and OthPrecs Metal Jewelry	12.81	7.31	4.22
5	Iron and Steel	11.24	29.5	3.7
6	Rmg Cotton Incl Accessories	8.51	-0.03	2.8
7	Motor Vehicle/Cars	8.47	12.26	2.79
8	Marine Products	7.39	25.18	2.43
9	Organic Chemicals	7.14	47.44	2.35
10	Products of Iron and Steel	6.77	14.84	2.23
	Total	138.58		45.63

Data source: Directorate General of Commercial Intelligence and Statistics (DGCIS).



The present section exhibits the top 10 commodities under India's export basket for the financial year Apr-Mar 2018. The largest contributor to the India's merchandise exports is petroleum products amounting up to 37.47 US \$ billions. The exports growth of petroleum product was 18.77 % and its share in total exports was 12.34%. The second major commodity was Pearl, Precious, semiprecious stones reaching the mark of 25.87 US\$ billion Showcasing the growth rate of 3.8% and 8.52% share in the India's exports of commodities. Drug formulations, biological commodities contributed 12.91 US\$ billion catering to 4.25% share of total exports as a third major commodity, followed by Gold and other precious metal jewelry, Iron and steel, RMG cotton including accessories, motor vehicle/cars, marine products, organic chemicals, products of iron and steel. The total contribution of these 10 principle commodities of exports is 138.58 US\$ billions and its percentage share in total exports is 45.63%.

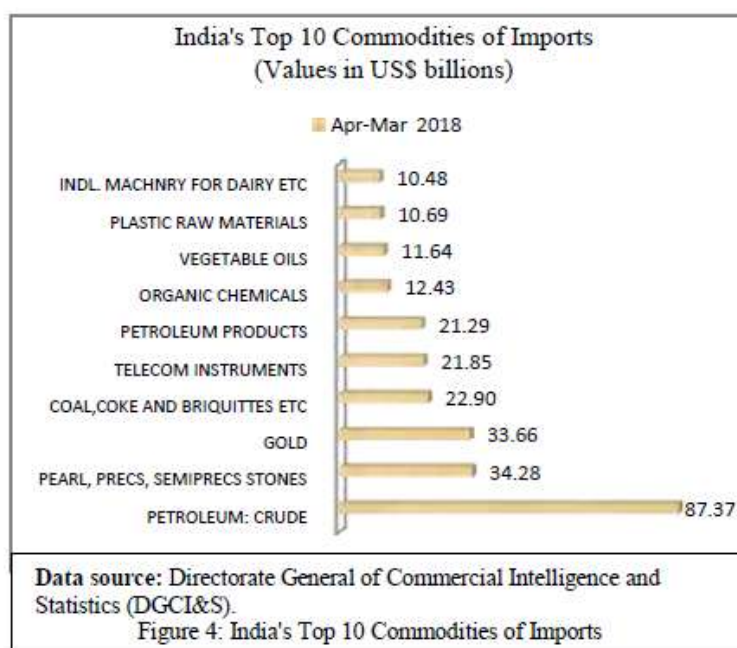
VII. India's Top 10 Commodities Of Imports

TABLE II India's Top 10 commodities of imports

Rank	Commodity	Apr-Mar 2018	% Growth	% Share
1	Petroleum: Crude	87.37	23.57	18.77
2	Pearl, Precs, Semiprecs Stones	34.28	43.98	7.36
3	Gold	33.66	22.31	7.23
4	Coal, Coke And Briquettes Etc	22.90	45.31	4.92
5	Telecom Instruments	21.85	31.84	4.69
6	Petroleum Products	21.29	30.93	4.57
7	Organic Chemicals	12.43	25.81	2.67
8	Vegetable Oils	11.64	6.84	2.5

9	Plastic Raw Materials	10.69	21.34	2.3
10	Indl. Machinery For Dairy Etc	10.48	11.8	2.25
	Total	268.58		57.26%

Data source: Directorate General of Commercial Intelligence and Statistics (DGCIS).



The Figure no 4 exhibits the top 10 commodities of India's import basket. Petroleum crude is the largest and dominate commodity in India's import basket amounting up to 87.37 US\$ billions. Growth rate of import of petroleum crude was 23.57% and its contribution in terms of share of India's total imports was 18.77%. Pearl, precious, semiprecious stones were at the second largest contributor valued at 34.28 US\$ billion experiencing the strong growth of 43.98% and its share in total exports was 7.36%. Third largest import commodity was gold worth of 33.66 US\$ billions with 22.31% growth amounting to 7.23% in India's total imports.

The other major principle commodities of imports include Coal, coke, Briquettes etc, Telecom instruments, Petroleum products, Organic Chemical, Vegetable Oils, Plastic raw materials, Industrial machinery for dairy. These 10 commodities of imports sum up to 268.58 US \$ billions i.e. these 10 principle commodities contribute to 57.26% share in India's total imports.

VIII. India's Top 10 Export Destinations.

TABLE III India's Top 10 export destinations

Rank	Country	Apr-Mar 2018	%Growth	%Share
1	U S A	47.88	13.42	15.78
2	UAE	28.15	-9.72	9.27
3	HONG KONG	14.69	4.58	4.84
4	CHINA	13.33	31.08	4.39
5	SINGAPORE	10.20	6.67	3.36
6	U K	9.71	13.58	3.2
7	GERMANY	8.69	20.96	2.86
8	BANGLADESH	8.61	26.31	2.84
9	VIETNAM	7.81	15.13	2.57
10	NEPAL	6.61	21.26	2.18
	Total	155.70	10.03	51.29



Data source: Directorate General of Commercial Intelligence and Statistics (DGCI&S).
Figure 5: Top 10 Export Destinations

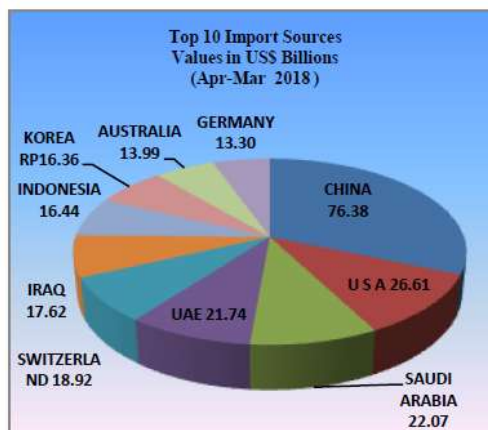
The above figure exhibits India's top 10 export destinations. The USA has emerged as the top most export destination for India, with 47.88 US\$ billion worth of shipment with the growth rate of 13.42% and it contributes 15.78% share in total exports. US is India's biggest export market at the same time it is the largest economy in the world. US are the biggest consumer for the sectors such as apparels and made ups, leather footwear, pharma and engineering. Therefore, India needs to give special focus on these sectors so that exports can be increased to USA and it remains important destination for our exports.

UAE is the second largest export destination for India with 28.15 US\$ billion and 9.27% share of India's total exports. Followed by Hong Kong (14.69 US\$ billion), China (13.33 US\$ billions), Singapore (10.20 US\$ billion), UK (9.71 US\$ billion), Germany (8.69 US\$ billion), Bangladesh (8.61 US\$ billion), Vietnam (7.81 US\$ billion), Nepal (6.61 US\$ billions).

IX. India's Top 10 Import Sources

TABLE IV India's Top 10 import sources

Rank	Country	Apr-Mar 2018	%Growth	%Share
1	CHINA	76.38	24.64	16.41
2	U S A	26.61	19.29	5.72
3	SAUDI ARABIA	22.07	10.5	4.74
4	UAE	21.74	1.07	4.67
5	SWITZERLAND	18.92	9.71	4.06
6	IRAQ	17.62	50.46	3.78
7	INDONESIA	16.44	22.42	3.53
8	KOREA RP	16.36	30.01	3.51
9	AUSTRALIA	13.99	25.45	3.01
10	GERMANY	13.30	14.78	2.86
	Total	243.43	21.13	52.29%



Data source: Directorate General of Commercial Intelligence and Statistics (DGCI&S).
Figure 6: Top 10 Import Sources

The above figure showcases India's top 10 import sources. China is India's largest import source with 76.38 US\$ billion at the growth rate of 24.64% and contributing up to 16.41% of India's total imports. This is followed by USA (26.61 US\$ billions) and Saudi Arabia (22.07 US 4 billion). The other import sources list includes UAE, Switzerland, Iraq, Indonesia, Korea RP, Australia and Germany. This top 10 import source contributes shipment worth 243.43 US4 billions amounting nearly 52.29 % share in India's total imports.

X. Conclusion

This paper exhibits the recent trends in India's international trade. It gives conclusive statistical facts about India's alarming aspects of merchandise trade where it indicates that merchandise trade deficit is increasing at a faster rate due to higher imports of petroleum crude, precious stones and gold.

India's services trade shows a positive prospect of growth with increasing trends in services exports and having services trade surplus of 76.2 US \$ billions. India's services trade is dominant in software services, business services, travel and transportation. Further this paper explains top 10 principal commodities of exports and imports wherein dominant export goods are Petroleum products, pearl, precious semiprecious stones, drugs & pharmaceuticals flowed by gold and other precious metal jewelry. The major imports include petroleum crude, precious stones and gold. It also indicates that USA and UAE are the two major export destinations. The major sources of imports are China, USA and Saudi Arabia. The conclusive point is if India wants to increase its share in global trade then it has to increase its export potentials and reduce imports of petroleum crude. At the same time it has to increase its exports to other regions and capitalize the market.

References

- [1]. ibef (2018) , ibef homepage on economy. [Online]. Available: <https://www.ibef.org/economy/indian-economy-overview>.
- [2]. (Apr 19, 2018) hindustantimes.com. [Online]. Available: <https://www.hindustantimes.com/business-news>
- [3]. Mahesh Sharma, Dr. Rashi Mittal, "AN EFFECTIVE ANALYSIS ON STATUS OF INTERNATIONAL TRADE POLICIES IN INDIA," International Journal of Enterprise Computing and Business Systems ISSN (Online) : 2230-8849 Volume 5, pp 2, July - December 2015.
- [4]. Amol DattatrayaMatore , Sunanda Sagar "India's international trade since globalization" The Business & Management Review, Volume 5, pp 1-3, January 2015
- [5]. Government of India Ministry of Commerce and Industry (MOCI) ,Foreign Trade Policy Statement 2017 – Mid Term Review, Department of Commerce.