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STRUCTURAL CHANGES IN FOREIGN TRADE OF INDIA

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Abstract: Foreign trade sector plays a significant role in the economy of each country. Foreign trade policy is a roadmap for the trade the accent decent on simplifying procedures, greater employment opportunities, quality products and partnership with the business and industry, are some of the stepping stories for making trade synonymous with economic growth and development. In sync with the dynamics of international trade and fine tuning the policy would aid in realizing the destination in real time. The real challenge lies in dovetailing the gains of trade to benefits the poor at root level. After independence many changes have taken place in almost all the sectors of the Indian economy especially after the liberalization period from the Indian economy. Over the last 65 years Indian foreign trade has undergone a complete challenge in terms of composition and direction for about 40 years (1950-90), foreign trade of India suffered from strict bureaucratic and discretionary controls. This resulted in the interventions by the government i.e. encouraging the exports and controlling or substituting imports. Followed by that in 1991 India introduced a series of reforms to liberalize and globalize the Indian economy. The major policy changes in the post 1991 period included simplification of procedures, removal of quantitative restrictions and sustainable reduction in tariff rates. All the same the policy regime in India in regard liberalization of foreign sector has witnessed very significant change.

Keywords: Volume of exports and imports, export promotion, trade balance, pre and post liberalization period.

OBJECTIVES

1. Understand the concept of India's international trade pre and post-liberalization era.
2. To study the significance of international trade.
3. To study the direction of India's trade after globalization.

RESEARCH METHODOLOGY

Data required for the analysis of different periods are collected from 1970-71 - 1990-91 and 1991-92 - 2010-11. Secondary data was collected from R.B.I. Annual reports and monthly report, Economic & Political weekly, Economic survey-ministry of finance and internet etc.

REVIEW OF LITERATURE

- **Bal D (2012):** examined empirically the effects of exchange rate volatility on India's exports by using monthly and quarterly data from 1993 to 2008. The study concludes that there is no statistical and significant relationship between the exchange rate volatility and export of the country. But in the short term disequilibrium which is negatively affects the export of the country. It clearly indicates that, an appreciation of the currency means an overvaluation of the currency, which leads to export of the country to fall and an unduly depreciation of the currency means an undervaluation of the currency, leads to the export of the Indian economy.
- **Balassa (1978)** has investigated the relationship between exports and economic growth in group of

11 developed countries having established industrial base. The hypothesis tested is that export oriented polices lead to better growth performance than policies favoring import substitution. The study concluded that export growth favorably affects the rate of economic growth.

- **Jhingan, M.L. (2005)** under heading 'Foreign Trade and balance of payment' sub heading 'Structural changes in India's Foreign Trade'. By structural changes author means, changes in the composition and direction of India's imports and exports. The author finally concluded that the composition of India's export has shifted significantly away from agriculture and allied products for manufactured goods, whose share rose from 45 percent in 1960-65 to 77 percent in 1999-2004.
- **K Kaundal & Sharma M (2010)** studied that the levels of India's exports of principal groups and principal agricultural products have shown variation in export. The annual growth rates of primary products and the manufactured products were less than the total export growth. Petroleum products and other have higher growth and higher instability as compared to total exports. It also reveals that primary products growth rate was higher than the manufactured products exports.
- **Kaur (2012):** examined the pattern of India's foreign trade in pre & post reform era and analyzed that the composition of India's exports has grown up significantly the exports of tea, coffee, spices, tobacco, leather, iron and ore, petroleum and chemical have shown a considerable increasing trend. The composition of India's imports has grown up significantly. It also showed a positive and increasing trend during the period under study. The share of imports of petroleum and crude products, fertilizers paper, boards and manufactures, Textile yarn, made up electronic manufactures of metals, crude upper, medicinal and pharmaceutical products, Transport equipment has increased significantly. The imports of food grains and consumer goods have decline due to adoption HYM technology in Indian agriculture. The study also indicates that post-liberalization era has certainly helped India in achieving high growth in the economy. Rapid growth of imports of capital goods, technical raw materials to meet the requirement of industrialization. Growing imports of petroleum products for meeting industrial and consumption requirement. For the exports some commodities have good exports potential (handicrafts, engineering product, readymade) and other items of exports (Sugar, Jute, Iron, and Steel) fluctuated considerably. Major portion Indian imports consists of fuels, capital goods chemicals etc., major portion of Indian exports is manufactured goods.
- **Kumar (2000):** analyzed 'Economic Reforms as well as their macro-economic impact.' Liberalization of the trade regime since 1991 has led to the proportion of trade in GNP, going up steadily from 14 percent in 1990-91 to 18.2 percent in 1998-99. Which shows Indian economy is more deeply integrated with the world economy than 1991.The robust export growth during the first half of 1990s have helped narrow the trade deficit form 2.7 percent of GDP on average during the 1980s to just 0.9 percent in 1995-96.
- **Massell (1964)** examined the relationship between export concentration and fluctuations in export earnings in a cross sectional, analysis of data for thirty six countries. He carried out a regression analysis using export instability as dependent variable and primary product ratio, degree of industrialization and diversification as independent variables. The results of multiple regressions revealed insignificant relationship. His investigation provided little support for industrialization as a method of reducing instability. An insignificant but 'negative' association between geographical concentration and export instability was established. The study further revealed a direct but insignificant relationship between instability and commodity concentration.
- **Mathur (2009)** conducted a study on foreign trade policy and trends in India (1947 - 48 to 2008 - 09) and observed that India's share in global trade did not rise as impressively and commodity structure of India's exports remained almost unchanged until the mid - 1990s. Although, of late, India's exports have shown a steady trend towards higher technology

content, India's specialization in exports lies in manufactures based on labour and natural resources essentially involving low technology.

- **Mehta (1997)** has analyzed the impact of India's trade reform on external trade by using the Cordon's measure of effective rate of protection (ERP). The study concluded that the liberalization process has enhance increased the importance of international trade in our domestic economy and the share of trade in GDP has increased 24 % in 1995 - 96.
- **Padmini D (1987)** using the Constant market share analysis model studied the main determinant behind India's Export growth; and concluded that India has been losing its share in the world market on account of lack of competitiveness. On the basis of empirical studies and other observation she concludes that it is essentially the domestic factors which have constrained India's export growth, as well as the implicit bias towards import-substitution in the country's development strategy, as a result of this bias production in the industrial sector remained unspecified in the international markets.
- **Pillania (2008)** observed that Indian foreign trade has progressed a lot over the last sixty years since independence. The period can be divided into three sub-periods of 1950-1970, Sp971-1991 and post 1991. The trade has stagnated and India lost its market share to other countries in 1950's and 1960's.
- **Samhouri (1994)** attempted to examine the impact of post 1973 International Monetary System on the developing countries in terms of flexible exchange rates and export instability. The study covers the thirteen years period and includes 54 LDCs. The study 'concluded that majority of the LDCs experienced an increase in their export instability after 1997.
- **Sen Pronab (1995),** Studied the behavior of export profitability in the post reform period. He analyses that one of the principal objective of the liberalization process began in July 1991 was to redress the anti-export biasness. In this article an effort has been made to trace the behavior of export margins of the hypothetical firm from the Pre-reform period through the various changes in the trade regimes that have occurred since July 1991.
- **Sharan, Vyuptakesh (1998)** studied "Reforming India's Foreign Trade". He found that reforming of foreign trade was the first step in the process of India's external sector reform that was initiated in mid-1991. This article outlines the broad policy measures initiated for reforming the foreign trade and examines their impact on India's balance of trade.
- **Sidhu, A.S and Ratinder (2004):** studied 'Emerging Trends in Indian Foreign Trade: A comparative study of pre and post-liberalization periods This topic has been planned to study the structural changes and impact of external sector .reforms with special reference to merchandise exports on the Indian economy. The study cover period of twenty years, i.e. from 1980-81 to 1999-2000. The study concludes that significant changes have taken place in regard to the commodity composition and the direction of Indian merchandise exports and imports during the Post reform period. However the study found that in spite of significant growth rate of exports and imports during the post reforms period as compared to pre-reforms period, the deficit in the balance of trade has further widened. The study pointed out that the increase in the volume of Indian merchandise exports in rupee terms during the post reforms period was not sufficient to pay for the increased demand for imports and the loss as a result of devaluation of Indian rupee during the 90's. Therefore, the study strongly advocates that there is a need to review the foreign trade liberalization policy and sufficient protective measures should be worked out to protect the domestic sector.
- **Tiwari Sanjay (2012):** examined the India's export performance and prospects and analyzed that as an emerging economy of the World, India still has a lower percentage contribution in world trade India ranks both in merchandise export and 13th in merchandise import while it stands at seventh rank as far as commercial sector export is concerned. The annual % change in merchandise export and merchandise import basis 17 and 18 respectively and surprisingly till 2010 India's share of the world total export is only 1.44% while in import it is nearly 2.12%. He suggested that to increase the portion of world trade, Govt. Should come up with the policies

and budgetary provision to boost export in potential areas in services, making the special economic zone more viable provide incentives to MSME (micro Small and Medium Sector) with the better training and skill imparted to then, by way of providing R&D to make the products globally competitive.

INTRODUCTION

Foreign trade has been one of the most significant determinants of economic development in a country. The process of globalization has got momentum through the process of economic integration and in the expansion of volume of international trade. Foreign trade is helpful to both the developed as well as developing countries for the development; it provides production input through cheap imports, wider market, increases investment opportunities and investment goodwill for the developing countries. It's in fulfills the need for development, maintenance of essential supplies and inflation control etc. Because the different countries of the world are differently and endowed they can help each other through trade to attain the common goal of social economic development.

India embarked on the path of globalization in the early 1990s with the objective of improving overall productivity, competitiveness and efficiency of the economy in order to attain a higher growth profile. Concomitantly, industrial, financial and external sector reforms were initiated with a view to creating an environment conducive for the expansion of trade. As a result, growth in trade accelerated in the early part of 1990s. This momentum, however, could not be sustained in the face of various domestic bottlenecks and exogenous constraints like East Asia crisis and slowdown in the US economy. These external factors along with stagnation in investment rate, sluggish industrial growth and slowdown in manufacturing productivity, predicted India's trade during the closing years of the 1990s. Thus, while the opening up of the economy presented a range of opportunities and advantages to the trade sector in India, the greater integration with the global economy has posed several challenges as well.

TRENDS IN FOREGIN TRADE AND TRADE BALANCE

Prior to Independence foreign trade of India was typical of colonial and agriculture economy over the last 60 years Indian foreign trade has undergone a complete challenge in terms of composition and direction for about 40 years (1950-1990) foreign trade of India suffered from strict bureaucratic and discretionary controls from 1947 till mid 1990's India with some exceptions always faced deficit in its balance of payment i.e. imports always exceeded exports. Imports galloped because of increasing requirements of capital goods, defense equipments, petroleum products and raw material remain electively sluggish owning to lack of exportable surplus competition in the international market inflation at home and increasing protectionist policies of developed countries. Reform in the trade policy ushered since 1991 aimed at a free environment for trade, removal of all procedural irritants and anomalies through simplification and streamlines of procedure. The reform measures also place emphasize on increasing export promoting investment for increasing production improving International competitiveness and focusing on qualitative and Technology up gradation. The major trade policy changes in the post-1991 period included simplification of procedures removal of qualitative restrictions and substantial reduction in the tariff rates. A significant development in the current account of balance of payments in the 1990's was the remarkable growth. In the export of invisible to the rest of the world this was made possible by in frequented growth in information and communication related services like computer softwares hardware internet e-commerce and telecommunication sector.

Globalization has become ubiquitous term in international economics over the past two decades. Economic liberalizations, reforms restructuring globalization have paved the way for a new wave in the Indian economy. In modern times faster growth and development has been one of the most important phenomena and ambition of almost all the nations. The trade policy reforms are steps in the right direction of making the foreign trade regime India free from an over regulated trade policy. The new approach attempts to establish a market orientation linkage between exports and imports with progressively lesson role for licensing and regulation. The import-export policy is announced during 1990's and thereafter have practically done with almost all import licensing other regulatory measures like canalization and has drastically pruned the restriction or negative list of imports.

The policy of import liberalization pursued with vigor in the eighties and nineties has resulted in a substantial increase in the volume of imports and export. We therefore find that the export-import level is dynamic and sensitive to the economic reforms. Moreover the structural transformation in the world economy has also called for a new approach for a country like India. These are steps in the right direction on augmenting the base for a sport expansion which India has been striving to achieve.

In fact, the trade policy reforms initiated in 1991 have drastically changed the scenario and have resulted in a shift from the inward oriented policy of the past to an outward orientation policy. India's foreign trade has export significantly changed in post-liberalizations period. In absolute term trade volume and the composition of export has undergone several significant changes. In post liberalization period the major contribution to export growth has been the manufacturing sector some of the agricultural goods have gone down mainly to the age of manufactured good. The share of manufactured goods of export had increased gradually regarding imports no significant change have taken place. The share of good products of import had also declined during post-liberalization period.

Table 1
India's trade during pre-liberalization period

Years	*Export*	*Import*	*Trade Balance*
1970-71	1535	1634	-99
1971-72	1608	1825	-217
1972-73	1971	1867	104
1973-74	2523	2955	-432
1974-75	3329	4519	-1190
1975-76	4036	5265	-1229
1976-77	5142	5074	68
1977-78	5408	6020	-612
1978-79	5726	6811	-1025
1979-80	6418	9143	-2725
1980-81	6711	12549	-5835
1981-82	7806	13608	-5802
1982-83	8803	14293	-5490
1983-84	9771	15831	-6060
1984-85	11744	17143	-5399
1985-86	10895	19658	-8763
1986-87	12452	20096	-7644
1987-88	15674	22244	-6570
1988-89	20232	28235	-8003
1989-90	27658	35328	-7670
1990-91	32533	43198	-10645

Source: Economic survey Govt. Of India 2011-12, Table no. 7.1 (A), Page (A80)

It is observed from table number one that except in year 1971 and 1977, the imports in all the years are more than the exports in all years further it shows that both export and imports are increasing gradually.

Table 2
India's trade during post-liberalization

Years	*Export*	*Import*	*Trade Balance*
1991-92	44041	47851	-3810
1992-93	53688	163375	-9687
1993-94	69751	73101	-3350
1994-95	82674	89971	-7298
1995-96	106465	121647	-15182
1996-97	118817	138919	-20102
1997-98	130100	154176	-24067
1998-99	139753	178332	-38579
1999-00	159561	215236	-55675
2000-01	203571	230872	-27301
2001-02	209018	245199	-36181
2002-03	255137	291133	-35996
2003-04	283605	346474	-62869
2004-05	375340	501065	-125725
2005-06	456418	660409	-203991
2006-07	571779	840506	-268727
2007-08	655864	1012312	-356448
2008-09	840756	1374436	-533681
2009-10	845534	1363736	-618202
2010-11	1142649	1683467	-540818
2011-12	1024707	1651240	-626533

Source: Economic survey Govt. Of India 2011-12, Table no. 7.1 (A), Page (A80)

In post-liberalization period the volume of export has increased up to rupees 1024707/- cores that are in 2011-12. Import also increase from rupees 44041/- cores to Rupees 1651240/- cores in 2011-12. The trends in the volume of export trade during the post-liberalization period also has been analyzed to prove the positive benefits India trade balance always remain negative because volume of imports are greater than volume of Exports

CONCLUSION

With the liberalization, privatization and globalization of Indian economy and implementing liberal foreign trade there is a drastic change in the nature of Indian economy. There had been increase in the volume of trade and exports from India also have increased.

New colony policy of liberalization has promoted both export and import aggregately. But the proportionate increase in import begin higher than export has led to unfavorable balance of trade such circumstances, it cannot be ensured that further steps of liberalizing the import and export policy such as provision of full convertibility of rupee, enhancement in concession on import duty and excise duty, free Import of professional equipments etc. will enable our country to maintain favorable balance of trade in short run. However package of liberalization policy we need to Capital investment, establishment of industries improvement in quality of products and competitiveness in international market will result in to export promotion in long run.

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