

Imports, Exports and Trends in the Indian Economy

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The Early Years: Nehruvian Dirigism and the “License Raj”

Exports remained more-or-less stagnant throughout the Nehruvian period¹ despite world exports almost tripling.

INDIA'S SHARE OF TOTAL WORLD EXPORTS

	World Exports (1)	Indian Exports (2)	Indian Exports as a percentage of World Exports (Col. 2 ÷ Col. 1)
		(million dollars)	
1947	48,549	1,234	2.5
1948	54,058	1,371	2.5
1949	55,102	1,288	2.3
1950	57,110	1,146	2.0
1951	77,140	1,611	2.1
1952	74,170	1,295	1.7
1953	74,930	1,116	1.5
1954	77,670	1,182	1.5
1955	84,550	1,276	1.5
1956	93,880	1,300	1.4
1957	100,880	1,379	1.4
1958	96,080	1,221	1.3
1959	101,780	1,304	1.3
1960	113,200	1,333	1.2
1961	118,700	1,396	1.2

Sources: 1947–1949 — *International Financial Statistics*, Feb. 1952 (International Monetary Fund), pp. xvii–xviii. 1950–1960 — *International Financial Statistics*, May 1961, pp. 36, 38. 1961 — *International Financial Statistics*, Dec. 1962, pp. 38, 40.

Reasons;

1. Decline in demand for India's traditional exports (Post-War)
2. Increase in price of Indian Goods' relative to competitors
3. State policy put low priority on export growth
4. Partition and other difficulties (Even the Korean War!)

The Early Years: Exports Analysis

India, as expected, primarily exported primary goods.

These goods combined made up 75% or so of Indian exports; Largest buyers being the UK, USA, Japan.

Increase in share of World Exports	Stagnant in share of World Exports	Decline in share of World Exports
Iron Ore	Cotton Yarn, Peanuts, Hides and skins, Mica, Black pepper, Raw Tobacco, Cashew Kernels, Raw Cotton, Raw Wool.	Tea, Cotton cloth, Jute products, Peanut oil, Leather,Manganese Ore

The Early Years: Exports Analysis (But More In-Depth)

Unique situation can be explained by the government's central desire to regulate imports combined, reluctance to rely only on the price mechanism to bring about the desired amount and composition of import. Encourages Indian firms to sell domestically instead.

Examples:

- India's share of the volume of world exports of peanut oil fell from 46 per cent in 1955 to 1 per cent in 1960.
- India's share of the volume of world exports of jute goods fell steadily from 87 per cent in 1954 to 73 per cent in 1960.
- India's share of the volume of world exports of tea, from 46 per cent in 1956 to 38 per cent in 1960. (Biggest loss in UK, it's biggest importer)

The Early Years: Imports Analysis

- Goal was to expand consumption of types of goods produced domestically than to increase consumption of quality goods which would be imported
- In fact, as domestic production has increased along certain lines, imports of similar goods have tended to decline. Ex; Inverse relationship between agricultural production and agricultural imports.
- Furthermore, Imports of consumer goods tended to vary inversely with industrial production.

The Early Years: Import Analysis (But More In-Depth)

In the post-war years, foodgrains and basic consumption goods accounted for about 35% of the total imports. raw materials and intermediate products, chiefly raw cotton, raw jute, mineral oils, and artificial silk yarn, amounted to another 35%. The remainder consisted mostly of development items, such as machinery and equipment. Items that may be termed luxuries accounted for no more than 5% of the total.

- Clear that imports were primarily for input for domestic production, as in the case for cotton for example. Finished consumer goods, luxury goods etc were non-existent practically.
- Evidence that India wished to

TABLE 2. RELATIONSHIP BETWEEN PRICES AND THE VOLUME OF IMPORTS IN INDIA¹

(Index numbers; 1948–49 = 100)

Year (April–March) (1)	Import Prices Adjusted for Duties (2)	Cost of Living (3)	Wholesale Prices (4)	Import Prices Relative to Cost of Living ² (5)	Import Prices Relative to Wholesale Prices ³ (6)	Volume of Imports (7)
1949–50	93	103	102	90	91	98
1950–51	106	103	109	103	97	92
1951–52	127	107	116	119	109	112
1952–53	131	106	101	124	130	77

The Early Years: FAQs

Did demand for India's exports really decline?

No, as for all the commodities discussed prior, the volume of exports in 1960 was above that of 1948. Infact every single commodity listed reached their peak in volume traded at some point from 1955-60 compared to prior decades.¹

What was the reception of such policies?

Labour unions, small producers, consumers, even tax collectors, all had vested interests in opposing export-oriented policies, and as such no political force in the country stood for transforming foreign trade policy in this era. This however began to change even in the early 60s ex; Sugar

Wow, have we really covered everything related to India's foreign trade and balance of payments?

There are threads and cracks that began in the Nehruvian era that bloomed only later; the foreign exchange crisis of 1957, that led to the eventual 1966 devaluation of the Rupee, IMF intervention and India's first foray into liberalization.

Trials and tribulations : 1960-80



6/6/66

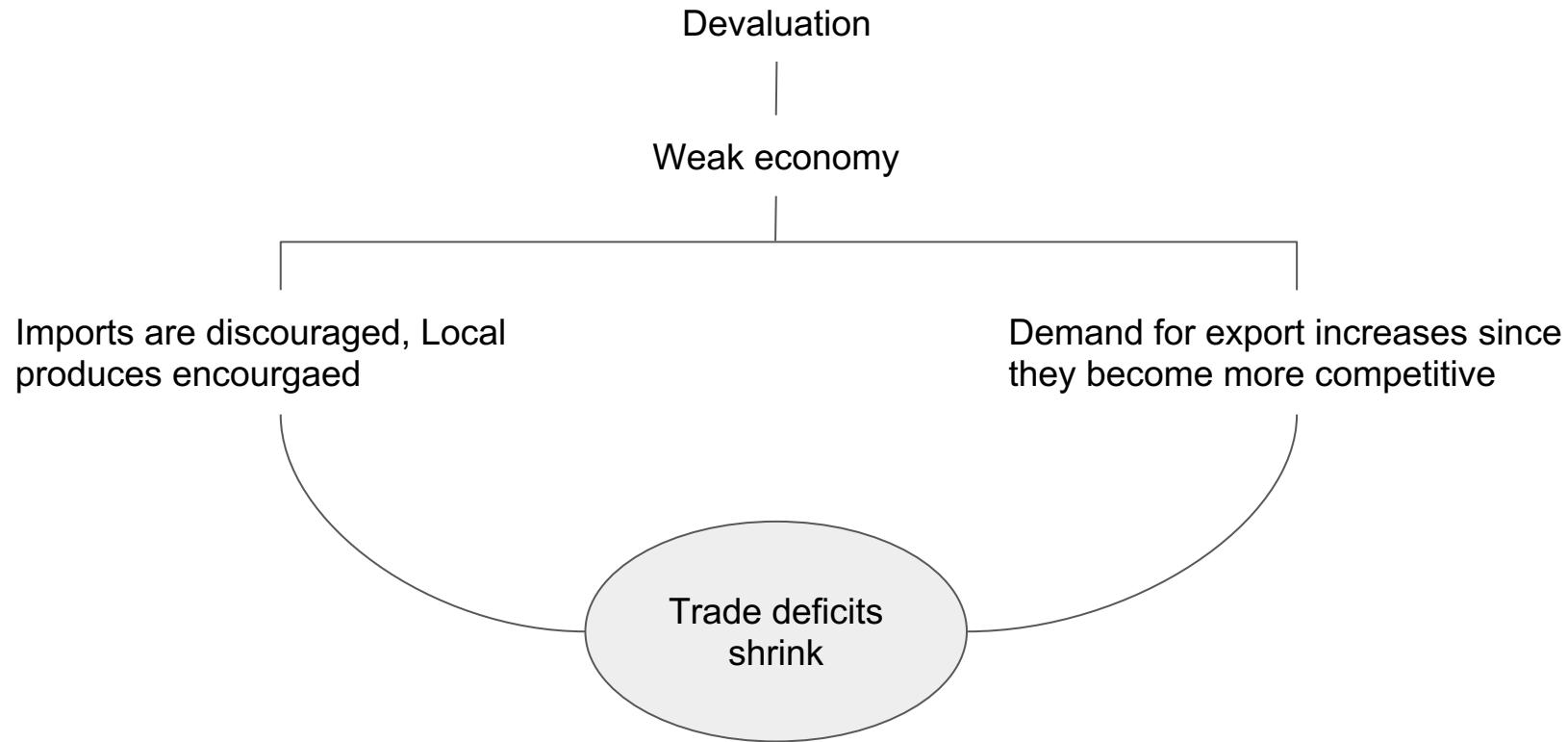
On June 6, 1966 , the Indira Gandhi government devalued the Indian rupee by 57 percent, from Rs 4.76 to Rs 7.50 to a dollar

Reasons:

1. 1957 exchange crisis
2. Increased military spending (1962 Indo-China war and 1965 Indo Pak War)
3. Major 1966 drought
4. Piled up trade deficit (Export - Import)
5. World Bank withdraws any aid due to war
6. Pressure from World Bank and US government (same thing)



Effects of devaluation.



Trends in export

1. Fiscal concessions and tax refunds were offered in early 60s to increase export.
2. Export volume remained stagnant till 1972. (Failure of devaluation) . There was an average 2% annual growth rate in export volume till 1972.
3. While export volume was almost stagnant, export value dropped significantly during 1965-66 due to lower prices. This drop is however not visible if you look at raw data in rupees because of devaluation.

TABLE 2.1 *India's exports in the 1960s*

Year	Export earnings in \$ million	Export value index 1960/61 = 100	Export volume index 1960/61 = 100
1960/61	1349.4	100.0	100
1961/62	1387.2	102.8	105
1962/63	1440.1	106.7	112
1963/64	1666.5	123.5	126
1964/65	1714.9	127.1	135
1965/66	1692.5	125.4	124
1966/67	1556.5	115.3	119
1967/68	1598.3	118.4	122
1968/69	1810.5	134.2	142
1969/70	1884.4	139.6	143
1970/71	2046.9	151.7	153

However from 1972 to 1976, the value of exports rose by over two and one-half times, while the volume was up by 67%. This trend continued in 1977 and then slowed down. This was partially because of deteriorating exchange rates.

Diversification of export products : Moving away from jute to Iron

TABLE 2.3 *Trends in the value of India's principal exports: 1960–1970 (in \$ million)*

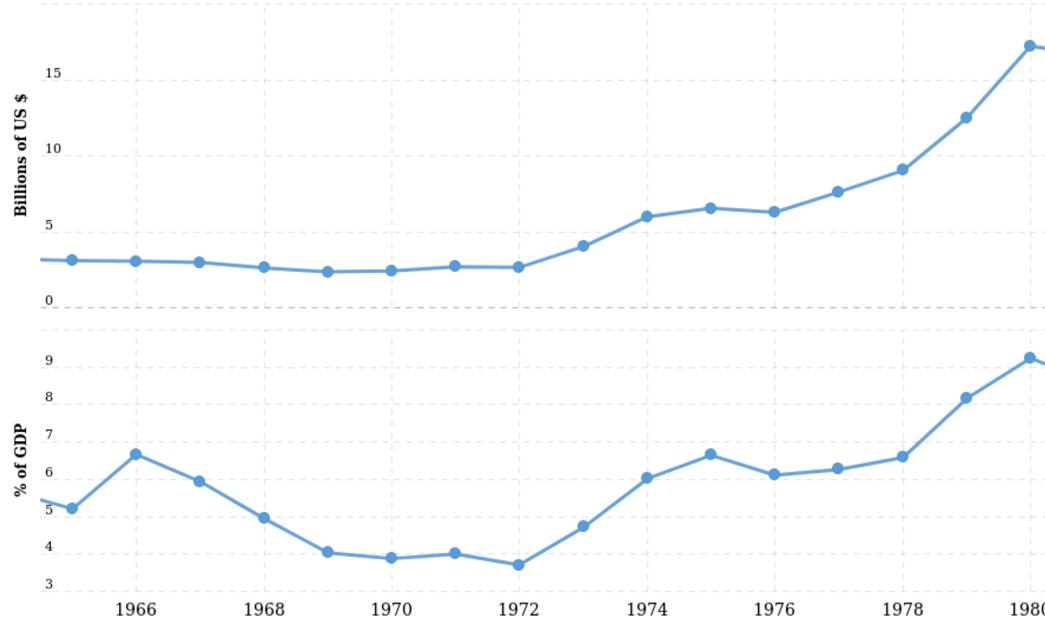
	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70	1970/71
Jute manufactures	283.9	304.2	327.0	330.7	353.9	384.1	334.7	312.1	290.7	275.5	253.9
Tea	257.5	255.0	269.4	256.7	259.4	215.7	212.7	238.8	206.6	162.8	193.5
Cotton textiles	120.9	101.3	97.0	114.1	134.7	132.9	102.8	105.9	117.3	115.5	130.0
Cashew kernels	39.7	38.1	40.7	45.0	61.0	57.6	61.3	57.4	81.2	76.6	69.4
Tobacco	30.7	29.5	37.8	44.3	51.2	41.1	28.9	46.5	44.2	43.6	41.9
Iron ore	35.8	36.6	41.7	76.5	78.6	82.7	93.0	99.7	117.9	126.2	156.4
Engineering goods	14.1	16.4	19.8	28.2	35.3	39.7	41.5	55.3	113.3	141.8	155.5
Leather and leather manufactures	52.5	51.4	47.5	55.4	57.5	59.3	82.7	71.3	96.9	108.7	96.2
Manganese ore	29.5	21.9	16.6	17.4	27.6	23.2	19.2	14.8	18.0	14.8	18.6
Mica	21.3	20.3	21.8	19.3	20.5	23.7	19.1	20.1	18.0	20.3	20.8
Oilcakes	30.0	36.4	66.8	74.3	83.5	72.8	67.4	60.6	65.9	55.3	73.9
Coffee	15.2	18.9	16.0	17.5	28.2	27.2	21.3	24.2	24.0	26.2	33.5
Fats and vegetable oils	17.9	12.2	27.5	41.9	14.8	8.6	4.1	5.3	15.6	6.6	9.4
Chemicals	15.1	16.4	16.5	14.5	21.6	23.3	20.0	21.0	31.8	40.5	48.5
Sugar	6.9	32.2	37.7	56.9	45.0	23.5	24.2	21.9	14.0	11.8	39.1
Spices	34.9	36.8	29.0	33.7	35.1	48.5	39.4	36.3	33.5	46.0	51.8
Coir manufactures	18.3	23.5	25.3	25.0	24.2	22.5	19.8	17.0	18.4	17.9	n.a.
Iron and steel	20.5	20.3	4.8	7.6	21.7	26.0	34.1	73.1	105.3	115.7	120.9
Footwear	6.5	5.1	5.8	7.6	9.0	11.0	11.7	12.2	12.2	12.0	15.3
Raw cotton and waste	24.3	42.8	35.8	35.4	30.0	27.5	23.4	25.9	21.0	23.7	21.9
Total including others	1349.4	1387.2	1440.1	1666.5	1714.9	1692.5	1556.5	1598.3	1810.5	1884.4	2046.9

Trade partners :

1. Both exporters and importers moved away from UK to US and USSR in mid 1960s
2. By mid 1970s, India had diversified into several middle eastern and European nations instead of relying on any one for trade.

Analysis of Import trends

1. From about 1965 to 1972, India's volume of imports remained constant, although the import bill continued to rise because of higher prices
2. Import value and volume saw two major booms, one in 1972 and other in 1978.



Reason for 1978 boom : Another crisis

- Depreciation of exchange rate in 1975
- By 1978, the rupee had depreciated by 30%
- Exports increased rapidly
- Increasing exports, low import, low investment means high debts.

ANOTHER LIBERALISATION !!

Trade commodities : Machinery, Non ferrous metals, chemicals, Petroleum (major), Fertilizer, food grains, edible oil.

Pre 1991 reforms: 1980-1990

- The 1980s started with a huge increase in the trade deficit because of the second oil shock
- Led to India having to borrow from the IMF
- Expansion of the OGL(Open general license) list to include around 1300 items.
- This was done to further develop the country by expanding certain industries such as the automobile industry
- Reduction of tax and import tariff on these items.

- Increased production of fuels and green revolution decreased necessity to import canalized products. Share of imports of canalized products decreased from 67% to 27%
- Increased exports due to incentives such as handing out of replenishment licenses to exporters.
- More relaxed norms on imports - decreased regulation on imports.
- Eventually this led the Indian economy into massive debts

Table I
India's Foreign Trade 1980–90
 (units: million \$)

Year	RBI Data			DGCIS data			DGCIS data	
	Exports	Imports	Balance	Exports	Imports	Balance	Non-petrlm Exports	Non-petrlm Imports
1980–81	8316	15862	-7546	8486	15869	-7383	8451	9210
1981–82	8659	15484	-6825	8704	15187	-6483	8423	9401
1982–83	9453	15428	-5975	9113	14796	-5683	7830	8659
1983–84	9834	15572	-5737	9448	15310	-5862	7910	10619
1984–85	10059	15713	-5654	9885	14422	-4537	8352	9872
1985–86	9463	17298	-7835	8908	16067	-7159	8374	11989
1986–87	10420	17740	-7320	9743	15736	-5993	9414	13536
1987–88	12646	19816	-7170	12094	17163	-5069	11587	14014
1988–89	14257	23618	-9361	14006	19125	-5119	13649	16116
1989–90	16956	24729	-7773	16626	21268	-4642	16182	17500
1980–85 avrge	9264	15612	-6348	9127	15117	-5990	8193	9552
1986–90 avrge	12748	20640	-7892	12275	17872	-5597	11841	14631

Source: Reserve Bank of India, *Annual Report*, various, Bombay and India, *Economic Survey*, New Delhi.

- Petroleum exports and imports used to be a swap because offshore crude oil could not be processed by domestic factories.
- Towards the end of the decade textiles, apparels, gems, jewellery, leather and footwear had high export rates.

Table II
Structure of Indian Imports

	1980-81	1983-84	1986-87
1. Petroleum, etc.	41.9	30.5	14.0
2. Fertilizer & Chemicals	11.9	10.3	14.8
3. Cereals, food etc.	3.0	6.4	3.4
4. Raw materials & intermediates	24.0	29.3	31.7
5. Capital goods	15.2	21.0	32.3
6. Others	4.0	2.5	3.8
	100.0	100.0	100.0

Table IV
Growth Rate of Commodity Exports (in dollars)

Commodity Group	1983/84-88/89 Table II Structure of Indian Imports	1985/86-88/89	(Percent per annum) 1988/89 Weights
Animals and animal products	4.6	8.8	3.83
Vegetable products	3.2	-6	11.15
Vegetable and animal fats	-33.4	-4.9	0.07
Beverages and tobacco	6.1	5.8	3.11
Mineral products	-15.7	-1.2	7.52
Chemical and allied industries	2.2	35.9	14.8
Plastics and rubber	3.3	12.3	3.4
Hides and leather products	15.3	19.7	5.23
Wood and cork	0.8	2.1	0.10
Paper and paper products	5.1	9.1	0.19
Textile and textile articles	8.7	17.7	22.70
Footwear and headgear	15.5	13.1	2.22
Stone, cement and ceramics	5.9	22.3	0.38
Gems and jewellery	19.2	29.3	21.73
Base metal and products	14.4	33.4	3.54
Machinery and electronics	22.9	31.1	5.30
Transport equipment	-4.0	0.5	1.80
Instruments, clocks etc.	22.5	30.7	0.60
Miscellaneous manufactures	6.1	17.8	0.33
Miscellaneous and project goods	13.9	25.5	2.01
TOTAL	7.57	15.7	100.00

Build up to 1991 crisis

- Debts surged up by \$40 billion in a span of 6-7 years.
- Depreciation in value of the rupee compared to the dollar from 12.36 rupees to 17.50 rupees a dollar.
- This increased prices of imports and decreased prices of goods and services in the country.
- The main reason for the increase in balance of payments deficit was the increased import of arms and military goods

Table VII
Three Leading Importers of Weapon Systems

(\$ mill. at 1985 dollar)

Year	Iraq	India	S.Arabia
1983	3003	1757	1121
1984	3940	1016	862
1985	2871	1876	1447
1986	2447	3683	2395
1987	4247	4585	1956
1988	2005	3383	1770
1989	418	3819	1196
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Cumulative			
1983-1989	18,931	20,119	10,747

Source: SIPRI, World Armament and Disarmament 1988 & 1990, OUP, London

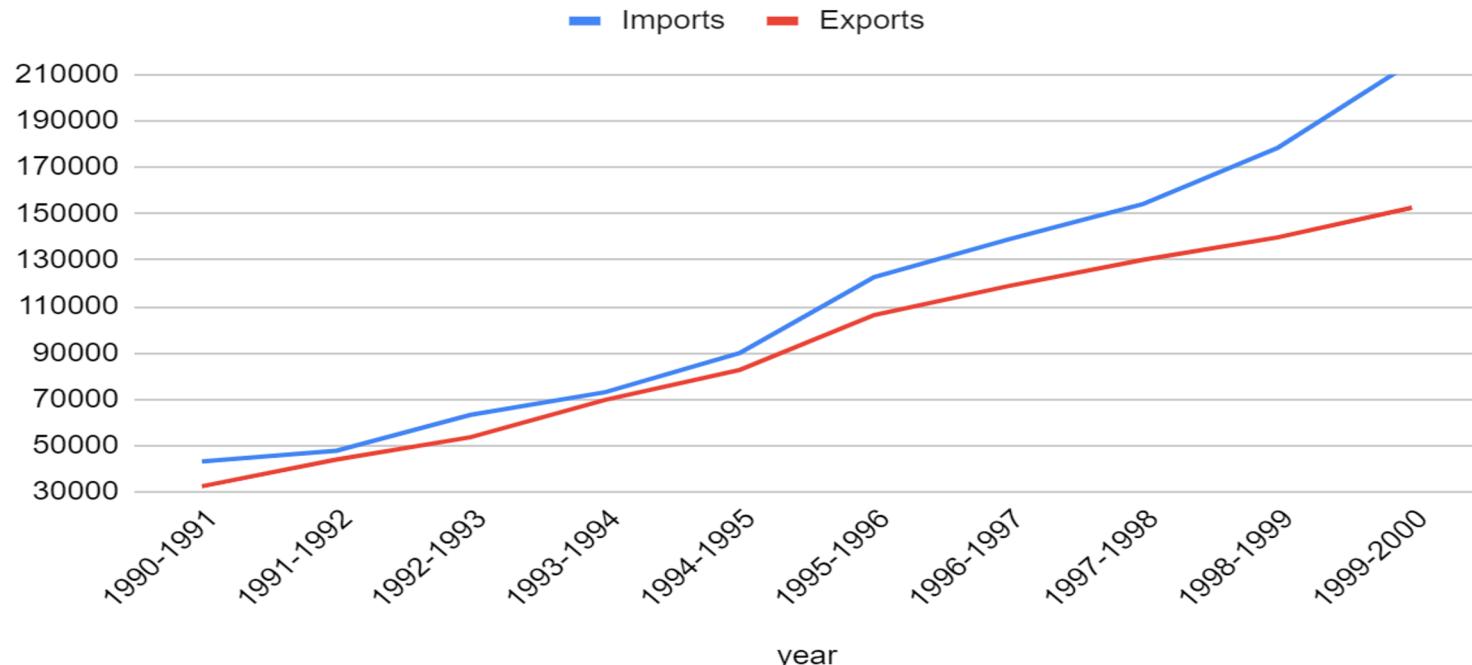
Manmohan Singh and Silent Economy

- 1991 economic crisis.
- Closed economy.
- Effect of LPG.
- Export Constant at growth of 5% of Gdp.
- Rupee was overvalued that effect in exports, and with the purchasing of more technology, import has been rising.
- Quantitative measure dismantle on consumer good.



1991 Reform and International trade.

Imports and Exports

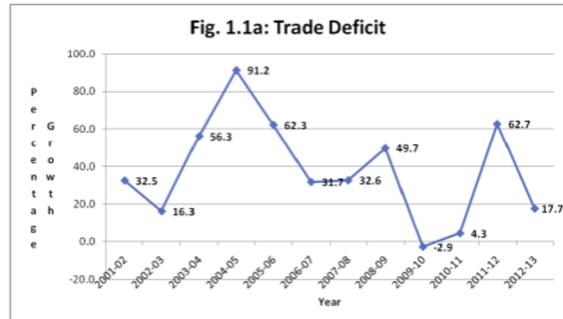
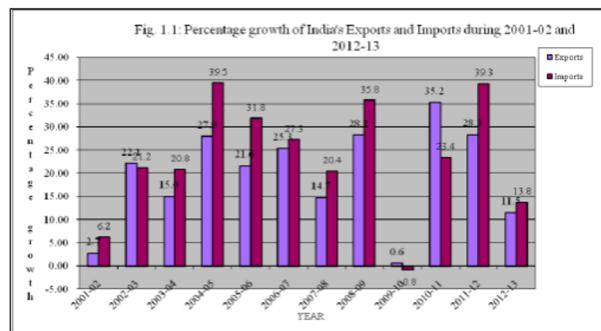


Trade: analysis of the decade

- Import restrictions on 6161 tariff lines were abolished in 1996.
- The Indian government reduced the peak import tax rates from 110 percent to 85 percent in the 1993-94 budget.
- In 1991, the government decontrolled 20 of the import commodities and 16 of the export items among them.
- The government extended a variety of tax concessions and exemptions in order to liberalise imports and boost exports.
- In 2000, the government announced the scheme for the establishment of Special Economic Zones (SEZ)

Post Liberation : 2000 - 2010

- In 2001-02 semi recessional faced by US caused setback in India's exports
- Robust growth at an annual average rate of 8.8 per cent for the period 2003-04 to 2007-08
- Global crisis of 2008 - Inflationary pressure
- Massive withdrawal of FII investments from India - Indian rupee got depreciated by about 20%
- Credit crunch



Growth Analysis

- Contribution to world exports continues to remain minimal at 1.5% of world exports in 2009
- The economic reforms implemented in India did not have a significant impact on India's position in the world export market (0.56 to 1.52% between 1991 and 2009)
- In 2005 agricultural exports made India a net exporter of food
- India's share in world manufacturing exports increased from 0.6 percent to 1.4 percent between 2000 and 2009

Figure 2: India: Merchandise exports share in world exports

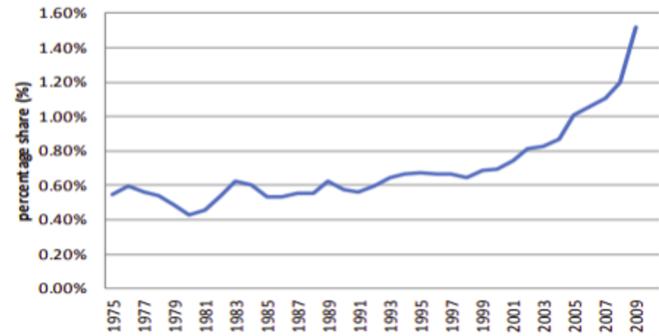
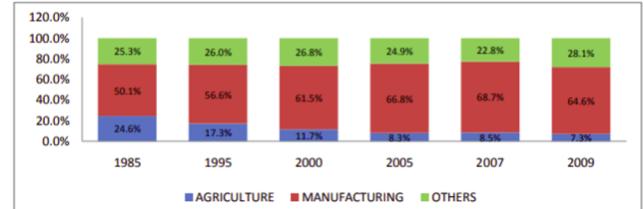


Figure 5: Sectoral contribution of India's total merchandise exports



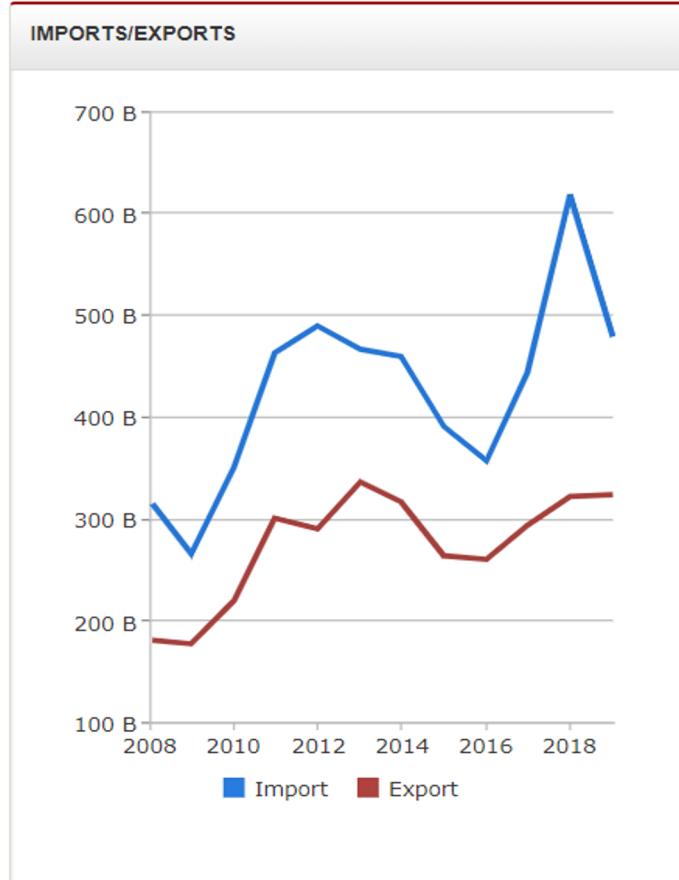
Recent years: 2010-2022

2009-2012: Big jump in exports and imports post recession, as trade and markets were recovering and there was an increase in demand. The government also signed trade agreements with ASEAN and South Korea in 2010, and Japan and Malaysia in 2011 which boosted trade.

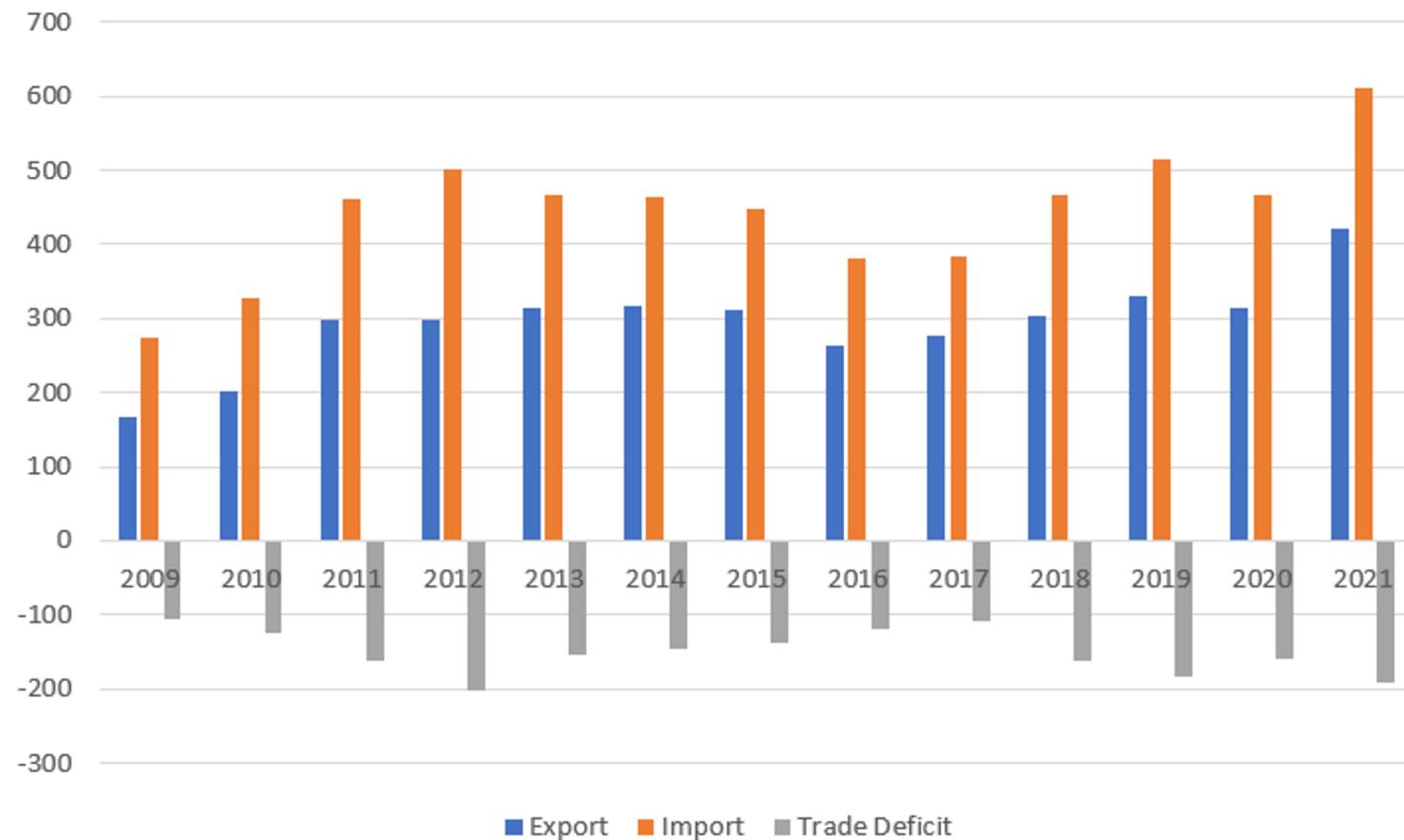
2012-2014: Plateaued imports and exports

2014-2016: Decline in exports (and comparatively less in imports), caused due to demonetization and GST, as a result of added layer of complexity which disrupted local businesses and caused imports surge in 2017-18 and a widened trade deficit.

2020 saw a dip in trade due to the coronavirus pandemic and halting of trade across the world and low demand.



Imports, exports, trade deficit: India



Free Trade agreements

- Agreements between 2 or more countries to reduce or eliminate tariffs and non tariff barriers on substantial trade between them.
- Normally cover goods and services, but can also cover investment and intellectual property.
- Benefits exporters as they get preferential treatment, makes products cheaper and competitive due to removal of custom duty.

Year	Trade agreement
2007	7 South Asian countries
2010	ASEAN (10 countries)
2010	South Korea
2011	Japan
2011	Malaysia
2022	UAE
2022	Australia
Planned	UK
Planned	European Union

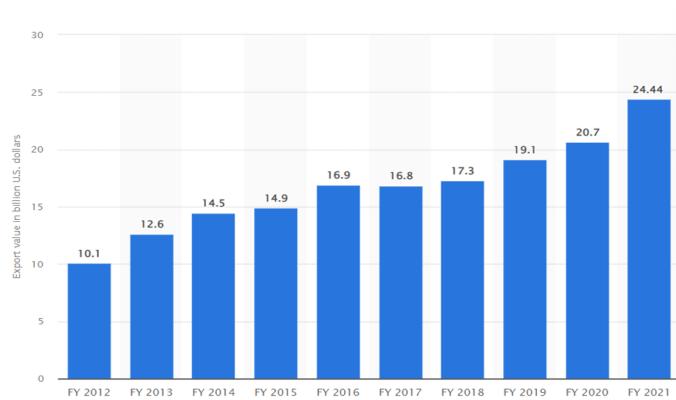
- Crude oil constitutes the bulk of the Indian import basket at about 30%. However India's top export product is petroleum products, since the refineries generate far more products than required in the country.
- Make in India scheme has increased merchandise export(34% in FY22 vs FY19) and promoted manufacturing of certain electronic products like mobile phones(which are increasingly getting exported more) in the country through incentives.
- In the last 2 years, imports of 300 weapons and systems have also been banned to promote indigenous manufacturing and reduce dependency on foreign countries. Orders worth 300,000 crores are expected to be inked for these in the next 5 years, with 31 worth 54,000 crores already signed.

TOTAL MERCHANDISE TRADE

	Value in \$ billion			% growth	
	Apr21-Mar22	Apr 20-Mar21	Apr19-Mar20	Apr 21-Mar 22-over Apr 20-Mar 21	Apr 21-Mar 22-over Apr 19-Mar 20
Exports	417.81	291.81	313.36	43.18	33.33
Imports	610.22	394.44	474.71	54.71	28.55
Deficit	192.41	102.63	161.35	87.49	19.25

Looking ahead

- Increasing crude oil prices will widen trade deficit.
- Launch of India semiconductor mission: PLI scheme worth Rs. 76,000 crore to boost the setting up of semiconductor and display fabs.
- 2010-2020 decade also saw the pharmaceutical companies shifting and focusing more on export, with exports doubling in this time period.
- Exports of mobile phones from India have jumped about Rs 42,000 crore in FY22 from Rs 1,300 crore in FY18.



- 28nm or Lower - Up to 50% of the Project Cost
- Above 28 nm to 45nm - Up to 40% of the Project Cost
- Above 45 nm to 65nm - Up to 30% of the Project Cost

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