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**PATTERN OF INDIA'S TRADE**

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**ABSTRACT**

Since the introduction of the new economic policy popularly known as liberalization, privatization and globalization (LPG), there has been significant growth in India's exports and imports not only in rupee terms but also in dollar terms. Table 1.1 presents the details of growth of India's exports and imports in rupee terms in absolute as well as in relative terms. As could be seen from the table during the 16 year period from 1991-92 to 2006-07, there has been a thirteen fold rise in the value of exports measured at current prices in terms of Indian rupee. In absolute terms the value of exports rose from Rs. 44,041 crores to Rs. 5,71,779 crores. During the same period, India's imports skyrocketed from Rs. 47,851 crores to Rs. 8,40,506 cores registering a still higher increase of about 17.6 times. It should be noted that both exports and imports exhibited a steady growth without any fluctuations during this period. This could be clearly understood from Figure 1.1 where the line charts are provided to exhibit the steady rising trend in exports and imports.

Even though both exports and imports were rising steadily during the period, every year imports out stripped the exports at an increasing rate resulting in the ever rising magnitude of trade deficit. As could be seen from the table, the trade deficit rose from the very low level of Rs.3,810 crores in 1991-92 to the whopping Rs. 2,68,727 crores in 2006-07. Trade deficit as a proportion of total trade (exports plus imports) was also steadily rising from -4.15 in the year 1991-92 to the alarming level of -19.03 per cent in the year 2006-07. Another important indicator of rising trade deficit in India is the proportion of exports to imports. Over the years gradually the proportion of exports to imports expressed as a percentage has been gradually falling and more so since 2004-05 mainly due to steep surge in the crude oil is import bill.

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Another interesting observation that can be made from the table is the rising proportion of exports and imports to GDP. As could be seen from the table, exports as a percentage of GDP nearly doubled from 7.3 per cent to 14.0 per cent between 1991-92 and 2006-07. Similarly, imports as a proportion of GDP rose still at a higher rate to reach 20.9 per cent from 8.3 per cent between 1991-92 and 2006-07. This is indeed a welcoming trend.

The results of the compound growth rate as furnished in Table 1.1A clearly indicate that both exports and imports were growing at statistically significant levels.

The average annual growth rate of exports turned out to be 16.97 per cent and that of imports turned out to be 18.87 per cent. Both these growth rates were statistically significant at one per cent probability level as the computed *t* values of 33.94 and 27.68 for exports and imports respectively were far higher than the table or critical or theoretical '*t*' value of 3.250 at 16-2=14 degrees of freedom. Thus India's exports to and imports from world have grown at extremely significant levels during the period 1991-92 to 2006-07 for which complete data were available.

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#### COMMODITY COMPOSITION

There has been a perceptible shift in the commodity composition of India's exports and imports during the last two decades Table 1.2 incorporates the changing trends in the commodity composition of India's export basket in terms of percentage during 1991-92 to 1998-99.

As could be seen from the table the share of primary commodities in such as food and animals beverages and tobacco, crude material, mineral fuels and animal and vegetable oil fluctuated widely.

A rising trend from 24.09 per cent to 25.47 per cent in the export shares of commodities in all the five SITC sections was observed between 1991-92 and 1995-96 mainly due to increased exports of food and live animals by two percentage points from 4.7 per cent to 6.7 per cent during the period. Since then the primary commodities seemed to have been losing their export share perceptibly due to falling exports of food and live animals, crude materials and mineral fuels. Consequently, the primary commodities ended with a share of 18 per cent in the year 1998-99.

The Corresponding to the fall in the share of exports of primary products, there has been a rise in the shares manufactured products by nearly 6 percentage points from 75.91 to 82 between 1991-92 and 1998-99. The major contributors to this surge in the export shares of manufactured products were chemical products that have put up their export share from 6.67 per cent to 9.93 per cent and manufactured goods that have stepped up their export share from 40.37 per cent to 41.95 per cent. Miscellaneous manufactured goods and manufactured goods not elsewhere shown (n.e.s) marginally improved their export share roughly by 0.5 percentage points during the period from 1991-92 to 1998-99.

The composition of exports exhibited a marked shift during the period from 1999-2000 to 2006-07. Table 1.3 provides the relevant information.

A cursory glance at the table clearly indicates that there has been a sharp turnaround in the composition of India's export basket from manufactured exports to primary exports mainly due to sharp rise in the exports of crude material. Between 1999-2000 and 2006-07, the share of primary products surged from 19.95 per cent to 44.28 per cent and correspondingly, the share of manufactured products declined from 80.05 per cent to 55.72 per cent. The sharp rise in the primary exports was mainly driven by exports of crude materials including exports of petroleum products, particularly during 2005-06 and 2006-07.

As per the estimates of Economic Survey: 2007-08 petroleum products registered a whopping 59.3 per cent growth during the year 2006-07. It reflected India's enhanced refining capacity. It should be noted that the data for the above two years were culled out from the website of Ministry of Commerce and Industry, Govt. of India, while the earlier year data were based on United Nations, International Trade Classification

(ITC) estimates. Hence there may also be conceptual differences reason between two scores of data. This might also be another rising for the sharp rise in the shares of primary commodities particularly crude materials in India's total exports to world. During the period from 1999-2000 to 2006-07, the share of manufactured products decelerated from 80 per cent to 56 per cent. Within the manufacturing exports, a perceptible shift could also be noticed from light manufactures to heavy manufactures. As could be seen from the table, thanks to India's revival of heavy manufactures, induced by strong international demand and higher prices, the exports of machinery and transport equipment surged rapidly resulting in the increased share of about 24 per cent in the year 2006-07. Engineering goods also maintained rising trend in their share during the year 2007-08.(Economic survey:2007-08,p-)

**Table No. 1.1: India's Trade in Relation to GDP**  
(Value in crores of Rs.)

Year	Exports at current prices	Imports at current prices	Trade Balance	Exports as %age of Imports	Trade Balance as % of total Trade	Exports as %age of GDP	Imports as %age of GDP	Trade Balance as % of GDP
1991-92	44041	47851	-3810	92.04	-4.15	7.3	8.3	-1.1
1992-93	53688	63375	-9687	84.71	-8.28	7.6	9.8	-2.4
1993-94	69751	73101	-3350	95.42	-2.35	8.3	9.8	-1.6
1994-95	82674	89971	-7297	91.89	-4.23	8.3	11.1	-2.9
1995-96	106353	122678	-16325	86.69	-7.13	9.1	12.3	-3.2
1996-97	118817	138920	-20103	85.53	-7.80	8.9	12.7	-3.8
1997-98	130100	154176	-24076	84.38	-8.47	8.7	12.5	-3.8
1998-99	139752	178332	-38580	78.37	-12.13	8.3	11.5	-3.2
1999-00	159561	215236	-55675	74.13	-14.85	8.4	12.4	-4.0
2000-01	203571	230873	-27302	88.17	-6.28	9.9	12.6	-2.7
2001-02	209018	245200	-36182	85.24	-7.97	9.4	11.8	-2.4
2002-03	255137	297206	-42069	85.85	-7.62	10.6	12.7	-2.1
2003-04	293367	359108	-65741	81.69	-10.08	11.1	13.3	-2.3
2004-05	375340	501065	-125725	74.91	-14.35	12.2	17.1	-4.8
2005-06	456418	660409	-203991	69.11	-18.27	13.0	19.4	-6.4
2006-07	571779	840506	-268727	68.03	-19.03	14.0	20.9	-6.9

Note: The country's total imports since 2000-2001 does not include import of Petroleum Products (27100093) and Crude Oil (27090000)

**Source: Government of India (2008), *Economic Survey: 2007-08*, New Delhi: Oxford University Press, p.A.80 for export import data and various earlier issues for Export-GDP and Import-GDP ratios.**

Table 1.1A: Growth Rates of India's total Exports to and Imports from World

Variable	Type of Growth Rate	Value of Growth Rate (%)	R <sup>2</sup>	SEE of b-value	t-value
Exports	CGR	16.97	0.99	0.005	33.94
Imports	CGR	18.87	0.98	0.006	27.68

Note: 1. CGR: Compound Growth Rate

2. The choice of between LGR and CGR was based on the value of R<sup>2</sup> and the Standard Error of Estimate (SEE) of b-value.

3. t-critical/table value for n-2 =16-2 =14 d. f., at one per cent probability level is 3.250.

Source: Computed for data in Table 1.1

Table -1.2: Commodity Composition of India's total Exports to World in terms of per centage from 1991-92 to 1998-99

SITC	Description	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
0	Food & Live animals	14.7	15.21	14.26	16.88	16.69	15.63	15.64	12.53
1	Beverage Tobacco	0.93	0.71	0.36	0.45	0.67	0.85	0.58	0.66
2	Crude material	5.36	5.84	4.59	4.87	5.99	5.11	4.07	3.74
3	Minerals Fuels	2.83	2.23	1.95	1.66	1.55	1.14	0.43	0.36
4	Animal & Vegetable oil	0.27	0.45	0.58	0.81	0.57	0.5	0.56	0.71
	<b>Total (SITC 0 - 4)</b>	<b>24.09</b>	<b>24.44</b>	<b>21.74</b>	<b>24.67</b>	<b>25.47</b>	<b>23.23</b>	<b>21.28</b>	<b>18.00</b>
5	Chemicals	6.67	6.89	8.13	8.08	8.93	9.76	9.29	9.93
6	Manufactured goods	40.37	40.91	40.82	39.06	37.37	38.53	38.17	41.95
7	Machinery & Transport equipment	7	6.78	7.14	7.47	8.14	7.98	7.09	6.83
	Miscellaneous								
8	manufactured goods	20.16	19.35	20.54	19.11	18.34	18.47	21.75	20.92
9	Manufactured goods n-e-s	1.71	1.63	1.63	1.61	1.75	2.03	2.42	2.37
	<b>Total (SITC 5 - 9)</b>	<b>75.91</b>	<b>75.56</b>	<b>78.26</b>	<b>75.33</b>	<b>74.53</b>	<b>76.77</b>	<b>78.72</b>	<b>82</b>
		100	100	100	100	100	100	100	100

Note: 1. The percentages were calculated for the dollar value of Exports

2. Note: The country's total imports since 2000-2001 does not include import of Petroleum Products (27100093) and Crude Oil (27090000)

Source: 1. For 1999-2000 data, United Nations, *International Trade Statistics Year Book: (Various Issues)*

2. For data from 2001 to 2005, website, [www.intracen.org/trade.stat/sitc3-3d/indexpi.htm](http://www.intracen.org/trade.stat/sitc3-3d/indexpi.htm).

3. For data from 2005-06 to 2006-07. Website: <http://commerce.nic.in/eidb/default.asp>

Table -1.3: Commodity Composition of India's total Exports to World in terms of per centage from 1999-2000 to 2006-07

SITC	Description	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
0	Food & Live animals	11.17	11.77	11.26	9.91	8.57	7.96	4.77	4.24
1	Beverage Tobacco	0.47	0.43	0.45	0.41	0.38	0.33	1.63	3.25
2	Crude material	3.77	3.76	4.52	4.93	6.92	7.28	24.92	26.55
3	Minerals Fuels	4.01	4.98	5.13	5.85	8.63	11.52	4.89	7.09
4	Animal & Vegetable oil	0.53	0.42	0.33	0.38	0.44	0.29	3.59	3.16
	<b>Total (SITC 0 - 4)</b>	<b>19.95</b>	<b>21.36</b>	<b>21.69</b>	<b>21.49</b>	<b>24.94</b>	<b>27.38</b>	<b>39.80</b>	<b>44.28</b>
5	Chemicals	10.22	10.80	11.20	11.64	11.44	11.59	6.86	6.47
6	Manufactured goods	39.3	36.52	37.92	36.81	35.54	32.29	13.12	10.81
7	Machinery & Transport equipment	8	8.60	8.42	9.72	9.73	10.87	25.18	23.77
	Miscellaneous								
8	manufactured goods	20.3	19.82	18.42	19.24	17.26	16.86	12.16	11.87
9	Manufactured goods n-e-s	2.23	2.91	2.35	1.10	1.08	1.01	2.88	2.80
	<b>Total (SITC 5 - 9)</b>	<b>80.05</b>	<b>78.64</b>	<b>78.31</b>	<b>78.51</b>	<b>75.06</b>	<b>72.62</b>	<b>60.20</b>	<b>55.72</b>
		100	100	100	100	100	100	100	100

Note: 1. The percentages were calculated for the dollar value of Exports

2. Note: The country's total imports since 2000-2001 does not include import of Petroleum Products (27100093) and Crude Oil (27090000)

Source: 1. For 1999-2000 data, United Nations, *International Trade Statistics Year Book: (Various Issues)*

2. For data from 2001 to 2005, website, [www.intracen.org/trade.stat/sitc3-3d/indexpi.htm](http://www.intracen.org/trade.stat/sitc3-3d/indexpi.htm).

3. For data from 2005-06 to 2006-07. Website: <http://commerce.nic.in/eidb/default.asp>

Table -1.4: Commodity Composition of India's total Imports from World in terms of percentage from 1991-92 to 1998-99

SITC	Description	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
0	Food & Live animals	3.29	2.6	4.96	2.09	2.2	3.08	3.21	2.43
1	Beverage Tobacco	0	0	0	0	0	0	0	0
2	Crude material	8.41	6.49	8.34	7.4	6.11	6.06	5.6	5.87
3	Minerals Fuels	29.56	27.2	23.84	23.69	29.32	24.32	19.06	28.92
4	Animal & Vegetable oil	0.43	0.44	0.92	2.06	2.38	2.13	4.72	4.15
	Total (SITC 0 - 4)	<b>41.69</b>	<b>49.51</b>	<b>38.06</b>	<b>35.24</b>	<b>40.01</b>	<b>35.59</b>	<b>32.59</b>	<b>41.37</b>
5	Chemicals	14.1	12.78	14.6	15.25	12.66	13.08	12.28	11.46
6	Manufactured goods	19.72	20.58	16.99	17.26	18.47	18.76	18.42	18.76
7	Machinery & Transport equipment	14.11	18.59	18.97	20.18	18.68	17.95	15.8	14.37
8	Miscellaneous manufactured goods	3.21	2.96	3.09	3.58	2.69	3.51	3.78	3.51
9	Manufactured goods n-e-s	7.17	8.36	8.29	8.49	7.49	11.11	17.13	10.53
	Total (SITC 5 -9)	<b>58.31</b>	<b>50.49</b>	<b>61.94</b>	<b>64.76</b>	<b>59.99</b>	<b>64.41</b>	<b>67.41</b>	<b>58.63</b>
		100	100	100	100	100	100	100	100

**Note: The per centages were calculated for the dollar value of Exports**

**Source: United Nations, International Trade Statistics Year Book: (Various Issues)**

Table -1.5: Commodity Composition of India's total Imports to World in terms of per centage from 1999-2000 to 2006-07

SITC	Description	2000	2001	2002	2003	2004	2005	2006	2007
0	Food & Live animals	1.43	2.43	2.18	1.77	1.56	1.38	1.12	1.13
1	Beverage Tobacco	0	0.03	0.03	0.05	0.07	0.06	1.79	2.54
2	Crude material	5.69	6.76	5.28	5.25	5.09	4.99	40.56	51.22
3	Minerals Fuels	34.94	30.70	32.05	29.05	31.54	33.73	4.69	6.02
4	Animal & Vegetable oil	2.93	3.03	3.19	3.45	2.37	1.61	2.68	3.31
	Total (SITC 0 - 4)	<b>44.99</b>	<b>42.95</b>	<b>42.73</b>	<b>39.56</b>	<b>40.62</b>	<b>41.76</b>	<b>50.83</b>	<b>52.39</b>
5	Chemicals	8.5	10.14	9.24	9.54	9.02	9.27	1.62	1.64
6	Manufactured goods	17.17	16.76	17.15	16.82	16.37	14.34	0.50	0.62
7	Machinery & Transport equipment	15.17	16.21	18.89	20.87	19.93	22.78	20.27	23.35
8	Miscellaneous manufactured goods	4.04	4.51	4.55	4.14	3.73	3.64	23.64	28.74
9	Manufactured goods n-e-s	10.13	9.43	7.44	9.08	10.33	8.21	3.13	4.24
	Total (SITC 5 -9)	<b>55.01</b>	<b>57.05</b>	<b>57.27</b>	<b>60.44</b>	<b>59.38</b>	<b>58.24</b>	<b>49.17</b>	<b>47.61</b>
	Total	100	100	100	100	100	100	100	100

Note: 1. The percentages were calculated for the dollar value of Exports

2. Note: The country's total imports since 2000-2001 does not include import of Petroleum Products (27100093) and Crude Oil (27090000)

Source: 1. For 1999-2000 data, United Nations, *International Trade Statistics Year Book: (Various Issues)*

2. For data from 2001 to 2005, website, [www.intracen.org/trade.stat/sitc3-3d/indexpi.htm](http://www.intracen.org/trade.stat/sitc3-3d/indexpi.htm).

3. For data from 2005-06 to 2006-07. Website: <http://commerce.nic.in/eidb/default.asp>

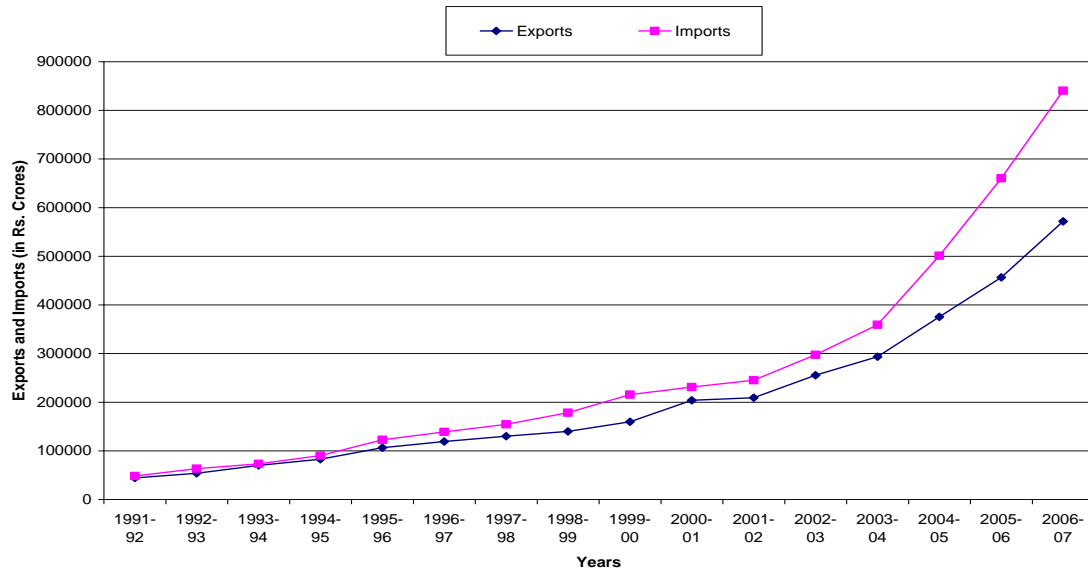
The composition of imports showed much less change than that of exports during the period 1991-92 to 1998-99. (Table 1.4)

Petrol, oils and lubricants (POL) continue to be the single major item of import with its share stabilizing around 30 per cent of total imports of India. From 1994-95 onwards animal and vegetable oil imports began to improve their share from 2.06 per cent to 4.15 per cent. Since the major import item within primary products viz., petroleum products, as noted already has maintained its share around 30 per cent, the

share of primary products also broadly remained stagnant around 40 per cent except in the year 1992-93, when the share of primary products rose sharply to about 50 per cent. Perhaps, this might be due to the gulf-war and the consequent rise in the import bill in the post gulf war period.

The shares of chemical imports and manufactured goods declined sharply from 8.5 per cent and 17.17 per cent to 1.64 per cent and 0.62 per cent respectively between 1999-2000 and 2006-07. (Table 1.5)

**Figure 4.1**  
**Trends in Exports and Imports during the period from 1991-92 to 2006-07**



The share of manufactured goods not included elsewhere also registered a decline during the period under consideration. Though the imports of heavy machinery and transport equipment as well as miscellaneous manufactured goods maintained their rising trend in the shares, on the whole, the share of manufactured goods sharply decelerated from 57 per cent to 48 per cent between 1999-2000 and 2006-07. The review of latest trends in India's trade during 2007-08 as per DGCI & S data indicated that India's merchandise exports during April to February 2007-08 increased by 22.8 per cent. The overall imports during April-February 2007-08 that rose by US \$210.8 billion maintained higher growth at 30% per cent. Import growth of petroleum, oil and lubricants (POL) during April - February 2007-08, moderated to 26.4 per cent from 31.2 per cent during 2006-07. Non-oil imports continued to rise at a faster rate of 31.8 per cent during 2007-08 as compared to 22.6 per cent during 2006-07. They contributed to 72 per cent to the overall growth in imports during April-February 2007-08. (RBI Bulletin, May 2008, p. 949)

#### Sum up

In this paper an attempt was made to analyse the growth pattern and composition of India's and EU countries trade during the period from 1991-92 to 2006-07. The analysis of India's global trade during the period indicated that both exports and imports registered super growth of about 18 to 19 per cent per annum during the period under study. The analysis of the commodity composition of India's global trade indicated that during the period, the composition of India's exports shifted in favour of manufactured goods where as that of imports in favour of primary goods particularly during the last two years of the study period. This might be due to rise in both value and volume of petrol, oil and lubricants (POL) imports. Then, there was no noticeable change in the commodity composition of India's imports. The analysis of pattern of countries, trade countries trades indicated that there were wide variations in the quantum of exports, imports not only in absolute terms but also in relative terms (relative to GDP). There were also noticeable variations among different EU countries with regard to trade deficit, export – GDP and import – GDP ratios. The trade deficit varied markedly among different EU countries. Moreover trade deficit seemed to have widened for all the countries between 1992 and 2007. While some small EU countries such as Belgium, Luxembourg had very high export – GDP and import – GDP ratios, others had relatively low levels of export – GDP and import –GDP ratios.

By and large, these ratios also increased between 1992 and 2005 indicating increased openness of these economies to foreign trade. The analysis of commodity composition of EU- 15 countries exports indicated that manufactured products accounted for an overwhelming proportion ranging from 70 per cent to 90 per cent in different EU countries in 1992. A similar, but less pronounced magnitudes share of manufactured goods could be observed in the composition of imports also. Over the years, the relative shares of manufactured goods declined both in exports and imports and conversely the relative shares of primary products increased both in exports and imports between 1992 and 2006. Another important observation made from the analysis was that there was intra-industry trade both in exports and in imports during the period under study.

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