

Growth and Composition of India's Foreign Trade in Recent Years

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Abstract

Foreign trade brings in several static and economic gains to the consumers, producers, investors, government and the country at large. It ensures growth oriented structural changes in the economy benefitting all sections of the population. Several trade theories starting from Adam Smith's Absolute Advantage to the latest Porter's Diamond model reiterated the benefits of free international trade and predicted the structure of foreign trade based upon several criteria. The present study, growth and composition of India's foreign trade in recent years is based on the secondary data collected from the websites of the Reserve Bank of India and the World Bank relating to total exports and imports as well as the exports and imports of the principal commodities. The study covered the 15 year period from 2004-05 to 2018-19. The analysis of India's total exports, imports and GDP in dollar terms indicated that all the three variables grew between 9.00 per cent and 10.00 per cent during the period under study. India's principal export commodities like engineering goods, petroleum products and handicrafts grew around 10 per cent per annum. Similarly, India's principal import commodities, viz., petroleum products, electronic goods and iron and steel also grew significantly both in absolute and relative terms. The study also indicated that India's exports basket was more diversified than her import basket. The study also clearly highlighted the impact of global economic crisis of 2008 and the recent policy changes on India's exports and imports.

Key Words: Exports, Imports, Balance of Trade, GDP, Commodity Composition, Diversification and Concentration in exports and imports

The importance of foreign trade in the economic development of countries has been well recognized since time immemorial. Foreign trade brings static and dynamic gains by through efficient allocation of available resources. It widens markets and helps to earn scarce foreign exchange that is needed for a developing country. Foreign trade provides opportunities to get resources needed to promote economic growth viz., raw materials, machinery, capital goods and intermediary producer goods. Foreign trade also brings in capital and the much needed technology to the developing countries mostly through MNCs. Foreign trade promotes an atmosphere of healthy competition among trading nations by checking monopolies and restrictive trade practices. Foreign trade provides access to the best managerial talents and entrepreneurial capabilities in the world. Foreign trade enlarges the

consumption possibilities frontiers of countries far in excess of domestic production constraints. The consumers can get differentiated products suitable to their tastes and preferences at the best competitive prices. Foreign trade brings about growth oriented structural changes in the economy by changing the composition of national income, employment and consumption. Foreign trade is preferred over foreign aid, foreign direct and portfolio investment as the latter are highly susceptible to politically confiscations. Foreign trade apart, from benefiting individual countries, also benefits the world as a whole. Hence, free trade is considered to be the first best policy to promote growth. In fact, Robertson termed foreign trade as an 'Engine of Growth'. The economic history of present day developed countries like, U.K, U.S.A, Germany and Japan Added Strength to this argument.

Pessimism over Foreign Trade

The belief in the positive relationship between trade and economic growth emphasized so vigorously by several economists has not perpetuated forever. Gunnar Myrdal, Hans Singer and Raul Prebisch challenged it and they argued that foreign trade would widen the economic disparities that existed between the rich and the poor countries mainly due to the differences in the income and price elasticity of demand confronting their exports of manufactured and primary commodities respectively. These antagonists of traditional free trade argument advocated a policy of deliberate import substituting industrialization (ISI) to promote the economic development in developing countries. This phase of export pessimism based on the 'Secular Deterioration Thesis' found its place in development literature until 1966-67. Once again, with emergence of Supply Side Economics or New Classical Economics in 1980s, the positive relationship between foreign trade and economic growth reappeared with more vigor and vitality and phase of export optimism began. The process of liberalization, privatization and globalization that began in 1980s in most of the Asian, African and Emerging countries accelerated the pace of free international trade. In India, the process of trade liberalization and globalization began in the beginning of 1990s.

Trade Theory: A Whirlwind Tour

Several economists starting from Adam Smith emphasized the importance of uncontrolled or free international trade and predicted the structure or pattern of international trade based on different principles. The international trade theory, though borrowed a rich body of tools mostly from micro economics, often displayed an independent identity by

employing general equilibrium analysis. There are two groups of trade models viz., Inter-industry Trade Models and Intra- Industry Trade Models. Theories under former include, Adam Smith's Absolute Cost Difference, Ricardo's Comparative Cost Difference and Heckscher-Ohlin Factor Proportions theory. The major theories under latter category include Falvey's Neo-Heckscher-Ohlin model, Krugman's Neo-Chamberlin model, Vernon's Product Cycle theory, Posner's Technological Gap and Imitation Gap models etc. The empirical evidence did not support exclusively any one of the models over the other. As a consequence many economists tried to adopt an eclectic approach classifying goods in to classes, which matched the groups of theories and listed out the attributes or characteristics of those goods. Why some countries have competitive advantage over other countries in certain products? Porter's Diamond model could be said as the best example of this kind of approach. In recent years, Brander and Krugman have developed a third group of trade models viz., Strategic Trade Policy Models based on partial equilibrium framework. These models were based on Cournot and Bertrand strategic behaviors where nations compete one another strategically. Nevertheless, no single theory adequately explained the trade pattern of all the countries.

Sources of Data and Methodology

The objective of the present study is to analyse trends in the value of India's total exports, and imports both in absolute and relative terms and to ponder over the commodity composition of India's exports and imports since 2004-05 to 2018-19 until the time full year data are available. The major source of data on trade was the website of the Reserve Bank of India (RBI) and that for GDP was the website of the World Bank. The RBI provided data in two series viz., Old Items and New Items. The former contained the annual time series data for the period from 1987-88 to 2013-14 and the latter contained the annual time series data for the period from 2009-10 to 2018-19. However, the principal commodity groups in old and new items were not the same. Hence, in order to have continuous time series data on exports and imports, six common commodity groups found in both old and new items were taken into account for the present study. Apart from these, literature was also collected from several other secondary sources like text books, journals and from government reports. The study will enable to determine the significant changes that have occurred in the second and third decades of reforms periods as compared to the first decade of reforms period. The study

will also be useful to analyze the impact of global economic crisis of 2007-08 and the current slowdown in 2018-19 on the growth, composition and direction of India's foreign trade.

Results and Discussion

The data culled out from the websites of the RBI, World Bank and other agencies were analysed using simple two-way tables, Percentages and Compound Annual Growth Rates (CAGR). The CAGR ((=anti log of 'b'-1) x100) was computed using the semi-log function, $y = ab^t$. Apart from these, line chart and pie-diagrams are used to present the information in an appealing way.

Total Exports, Imports and Balance of Trade

The data relating to India's total exports, imports, balance of trade in absolute terms and in relation to India's GDP at current prices in terms of US dollars along with the computed average annual growth rates for the period from 2004-05 to 2018-19 are presented in Table -1. It could be observed from the table that India's total exports surged from US \$83, 535.9 million to a peak level of US \$3, 14,415.73 million (\$314 billion) in 2013-14 but decelerated since then to US \$3, 03,376 million (\$303 billion) in the year 2017-18. However, in the year 2018-19, the exports once again rebounded to the all time high level of US \$3,30,069.60 million (US \$330 billion). The computed Compound Annual Growth Rate (CAGR) of exports for the entire period was 9.24 per cent. Similarly, India's total imports in dollar terms resurged from US \$1, 11, 517.4 million (\$112 billion) to a peak level of US \$4,90,736.65 million (\$491 billion) but decelerated subsequently to US \$4,65,578.29 million (\$466 billion). However, in the terminal year of the study period, the imports once again picked up momentum to reach the all time high level of US \$5,14,034.09 million (US \$514 billion). The imports also exhibited an equally high CAGR of 9.40 per cent during the entire study period. India's GDP in dollar terms skyrocketed from US \$ 0.71 trillion to US \$ 2.73 trillion putting up a spectacular growth of 9.51 per cent during the same period. According to IMF's World Economic Outlook (April-2019), nominal GDP of India in 2019 at current prices is projected at \$2,972 billion (or \$2.97 trillion). India contributes 3.36 per cent of total world GDP in exchange rate basis. The present government is contemplating to take the Indian economy to US \$ 5.0 trillion level by the year 2025. The compound growth rates of all the three variables are statistically significant at 1 per cent probability level as the

computed t-test values were higher than the theoretical t-value of 3.06 at 13 degrees of freedom.

Table – 1
Trends in India's Total Exports and Imports in Absolute and Relative Terms
(US \$ Million)

Year/ Commodity	Total Exports	Total Imports	Trade balance	Exports as % of GDP	Imports as % of GDP	India's GDP (current prices)
2004-05	83535.90	111517.40	-27982	11.78	15.73	709148.53
2005-06	103090.50	149166.00	-46076	12.57	18.18	820381.67
2006-07	126414.10	185735.20	-59321	13.44	19.75	940259.89
2007-08	162904.30	251439.20	-88535	13.39	20.67	1216735.43
2008-09	185295.00	303696.30	-118401	15.46	25.33	1198895.50
2009-10	178751.43	288372.87	-109621	13.32	21.49	1341886.70
2010-11	251136.20	369769.11	-118633	14.99	22.07	1675615.31
2011-12	305963.88	489319.53	-183356	16.78	26.84	1823049.93
2012-13	300400.58	490736.65	-190336	16.44	26.85	1827637.86
2013-14	314415.73	450213.63	-135798	16.93	24.25	1856722.12
2014-15	310352.01	448033.41	-137681	15.22	21.97	2039127.45
2015-16	262291.09	381007.76	-118717	12.47	18.11	2103587.81
2016-17	275852.43	384357.03	-108505	12.04	16.78	2290432.08
2017-18	303376.22	465578.29	-162202	11.44	17.55	2652551.20
2018-19	330069.60	514034.09	-183964	12.11	18.86	2726322.62
CAGR %	9.24	9.40	-	-0.24	-0.10	9.51
R ²	0.78	0.73	-	0.01	0.00	0.95
t- calculated	6.86	5.91	-	0.29	0.09	15.80

Source:

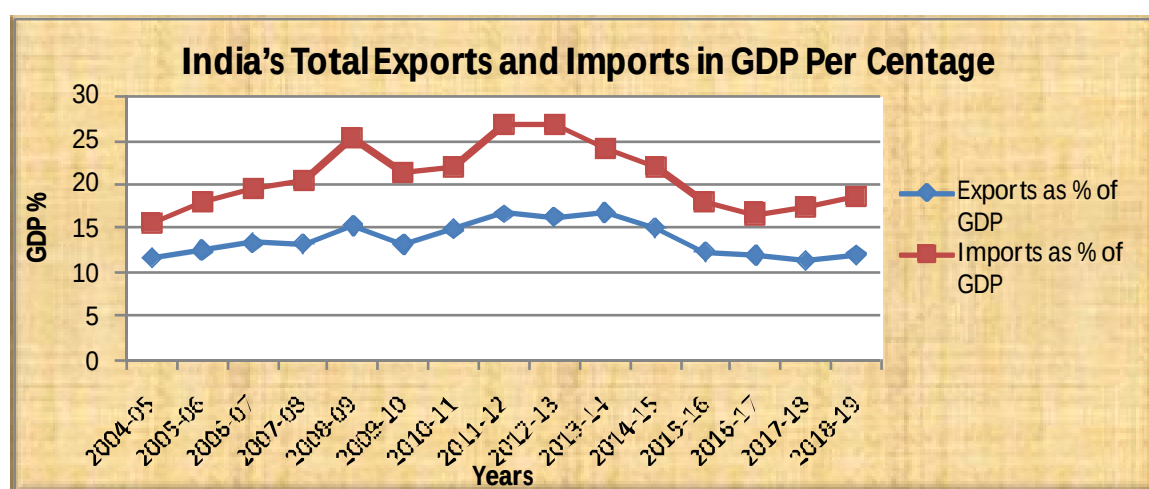
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2.

<https://databank.worldbank.org/reports.aspx?source=2&type=metadata&series=NY.GDP.MKTP.CD#>

Accessed the data on 15-11-2019.



India's exports as a proportion of GDP exhibited rising trend from 11.78 per cent to 16.93 per cent between 2004-05 and 2013-14. However, there has been a declining trend in the growth of exports as a proportion of GDP since 2014-15. The ratio has been steadily declining from 15.22 per cent to 12.11 per cent between the years 2014-15 and 2018-19. A similar trend is observed in the case of imports as a proportion of GDP. As could be observed from the table, imports as a proportion of GDP that sharply rose from 15.73 per cent in the year 2004-05 to the peak level of 26.85 per cent in the year 2012-13 began to decelerate and plummeted to 18.86 per cent in the year 2018-19. These statistics indicate that India's foreign trade grew at a marginally lower rate than that of GDP during the period from 2004-05 to 2018-19 even though there has been some deceleration in India's foreign trade both in absolute and relative terms during the last five years of the study period. The declining trend in India's exports and imports as a proportion of GDP during 2009-10, perhaps, due to the global economic crisis of 2008 as well as in recent years could be clearly observed from the line chart presented along with the table.

Commodity Composition of India's Exports

As per the data provided by the Reserve Bank of India, the six India's principal commodities accounted for a total value of US \$42, 338 million in the year 2004-05 and the same surged to US \$1,84,197.8 million in the year 2018-19. The CAGR of these six commodities during the period was 9.80 per cent which was higher than the CAGR of India's total exports which grew at the rate of only 9.24 per cent. Among the six commodities, the

highest growth rate was registered by the exports of Handicrafts excluding handmade carpets. The growth rate of this commodity group was 14.43 per cent. This was followed by the exports of Marine products which put up an equally high growth rate of 13.74 per cent. In absolute terms, the value of the former commodity group was less than that of the latter commodity group all through the study period. The other two commodity groups that have registered a double digit growth rates were Petroleum products (10.28 per cent) and Engineering goods (10.37 per cent). However, in absolute terms the value of the former group was lower than that of the latter all through the study period. The other notable commodity group that has exhibited spectacular performance both in absolute and relative terms was Gems and Jewellery. The value of this commodity group has soared from US \$13,762 million to US \$40, 251.03 million registering high growth of 8.60 per cent during the period from 2004-05 to 2018-19. The CAGRs of all the six commodity groups have been statistically significant at one per cent probability level as the computed t-test values were higher than the theoretical t-value of 3.06 at 13 degrees of freedom.

In order to understand the relative importance of different principal commodities in India's total exports during the period under study, an attempt has been made to compute the shares of these six commodity groups in India's total exports and to analyse the trends in their shares over the study period. The relevant information is furnished in Table 3. It could be seen from the table that all the six principal commodity groups together accounted for a share of 50.68 per cent of the total exports in the year 2004-05 and the same rose to the peak level of 59.30 per cent in the year 2014-15 and then they began to dwindle to reach 55.81 per cent in the year 2018-19. It is worth noting that among the six principal commodities, Engineering Goods constituted a lion's proportion of 20.77 per cent out of 50.68 per cent in the year 2004-05. It is also interesting to note that the exports of the Engineering goods decelerated sharply during the year 2009-10 due to the sub-prime crisis emanated from the US in 2008.

Even though there were fluctuations during the intermediate period, overall, there has been a surge in the share of this commodity group by over 5 percentage points from 20.77 per cent to 25.33 per cent during the 15 year period. This shows that India has been moving away from the exports of agricultural to manufactured commodities and stepping up exports of the latter group of commodities in recent years. Next to engineering goods, the exports of Gems and Jewellery occupied an important place in India's exports. The share of this commodity

group aggregated to 16.47 per cent of total exports in the year 2004-05. However, over the years, there have been wide fluctuations in the share of this commodity group with the maximum share reaching the level of 16.85 per cent in the year 2010-11. On the whole, the relative importance of this commodity group dwindled to 12.19 per cent in the terminal year of the study period viz., 2018-19. Another commodity group that has acquired vital importance in India's export basket is Petroleum products. The share of this commodity group which stood at the minimum level of 8.37 per cent in the year 2004-05 exhibited very high level of fluctuations with the maximum share reaching 20.26 per cent in 2012-13 and finally settled down at 14.10 per cent in the year 2018-19 by gaining nearly 6 percentage points during the study period. Among the six commodity groups, the exports of handicrafts occupied the least importance with the shares amounting to less than one per cent of the total exports. The other commodity groups with increasing order of importance from the least level were Leather and Leather Products and Marine Products.

Table – 2
Trends in India's Exports of Principal Commodities in Absolute Terms
(US \$ Million)

Year/ Commodity	Engineering Goods	Gems & Jewelle ry	Petroleu m Product s	Leather & leather products	Marine Products	Handicrafts excl. handmade carpet	Total Principal Commodities	Total Exports
-	1	2	3	4	5	6	1 to 6	-
2004-05	17348.30	13761.80	6989.30	2421.60	143980	377.40	42338.20	83535.90
2005-06	21718.80	15529.10	11639.60	2697.70	158920	462.00	53636.40	103090.50
2006-07	29567.20	15977.00	18634.60	3016.70	176820	438.00	69401.70	126414.10
2007-08	37365.20	19678.70	28363.10	3502.50	172050	508.20	91138.20	162904.30
2008-09	47285.60	27955.20	27547.00	3556.00	153640	301.00	108181.00	185295.00
2009-10	33618.87	28639.13	28191.97	3277.77	208670	713.03	96527.50	178751.43
2010-11	50278.87	42314.28	41480.02	3822.79	261555	760.11	141272.00	251136.20
2011-12	59923.29	46314.14	56038.54	4686.05	346070	993.38	171416.00	305963.88
2012-13	59181.50	42988.20	60865.10	4771.90	346410	989.70	172261.00	300400.58
2013-14	63902.70	41388.30	63179.40	5572.80	501660	1499.30	180559.00	314415.73
2014-15	73074.80	41266.10	56794.10	6030.50	551050	1378.00	184054.00	310352.01
2015-16	61949.50	39284.30	30582.60	5407.80	476750	1648.00	143640.00	262291.09
2016-17	67216.10	43412.80	31545.30	5165.60	590310	1926.70	155170.00	275852.43
2017-18	78706.30	41544.40	37456.60	5288.90	738770	1822.50	172206.00	303376.22
2018-19	83621.47	40251.03	46544.44	5140.82	680220	1837.84	184197.81	330069.60
CAGR %	10.37	8.60	10.28	6.11	13.74	14.43	9.80	9.24
R ²	0.86	0.72	0.49	0.84	0.94	0.89	0.76	0.78
t - calculated	8.87	5.76	3.56	8.18	14.48	10.14	6.44	6.86

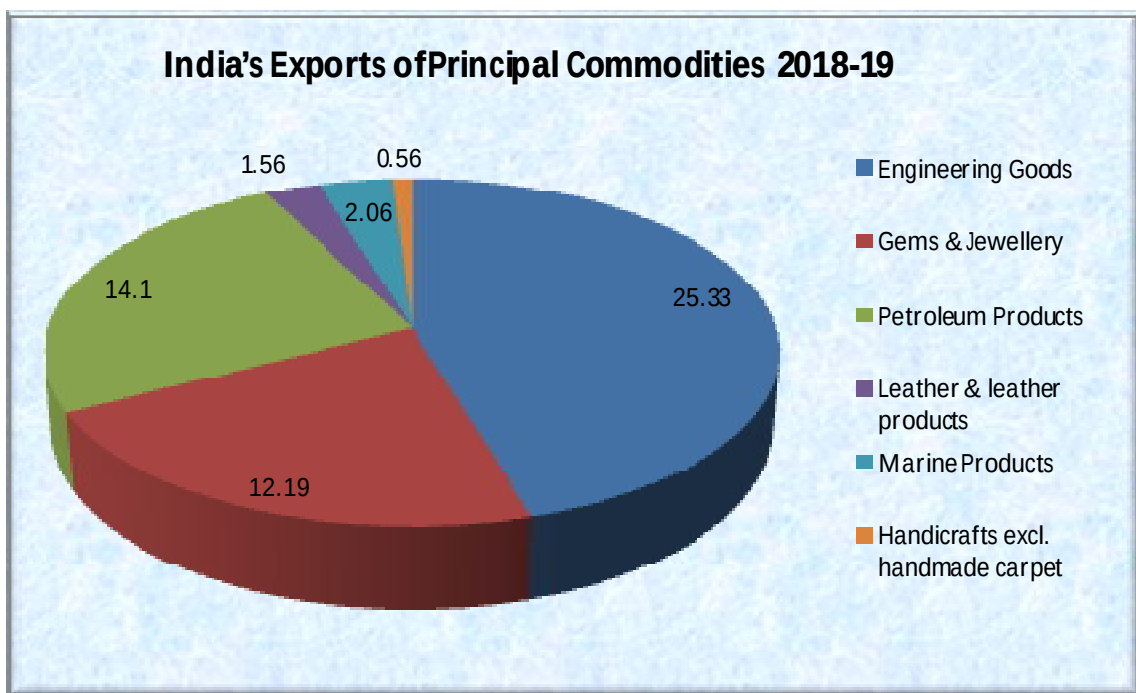
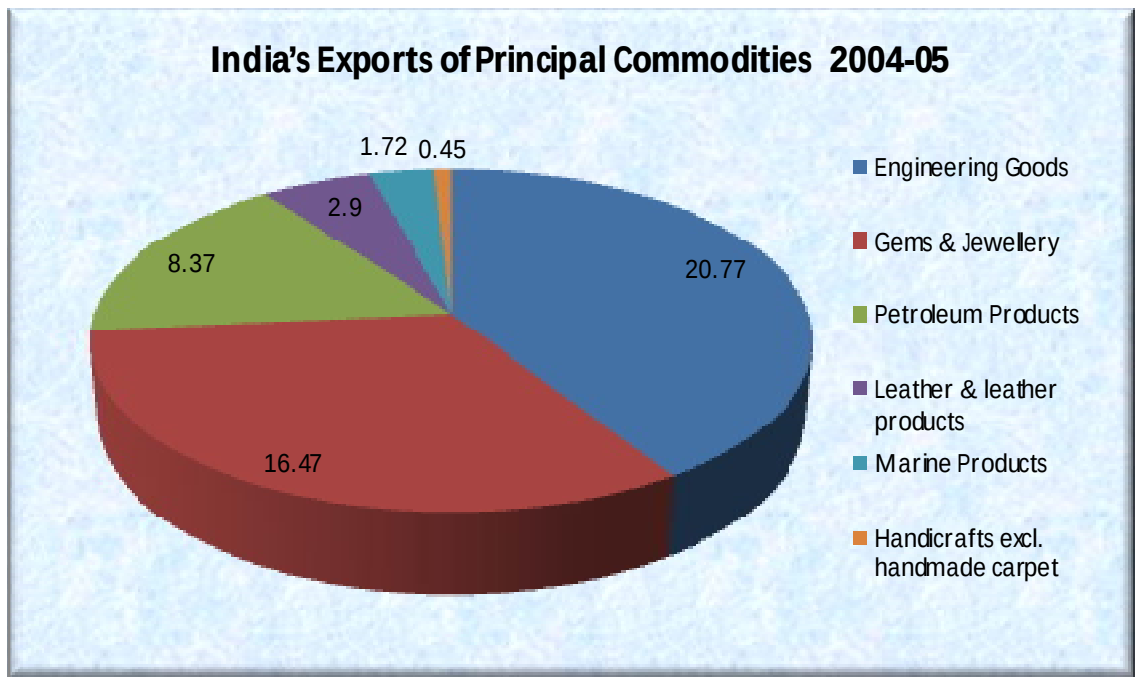
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Table – 3
Trends in India's Exports of Principal Commodities in Relative Terms

Year/ Commodity	Engineering Goods	Gems & Jewellery	Petroleum Products	Leather & leather products	Marine Products	Handicrafts exd. handmade carpet	Total Principal Commodities	Total Exports
-	1	2	3	4	5	6	1 to 6	-
2004-05	20.77	16.47	8.37	2.90	1.72	0.45	50.68	83535.90
2005-06	21.07	15.06	11.29	2.62	1.54	0.45	52.03	103090.50
2006-07	23.39	12.64	14.74	2.39	1.40	0.35	54.90	126414.10
2007-08	22.94	12.08	17.41	2.15	1.06	0.31	55.95	162904.30
2008-09	25.52	15.09	14.87	1.92	0.83	0.16	58.38	185295.00
2009-10	18.81	16.02	15.77	1.83	1.17	0.40	54.00	178751.43
2010-11	20.02	16.85	16.52	1.52	1.04	0.30	56.25	251136.20
2011-12	19.59	15.14	18.32	1.53	1.13	0.32	56.02	305963.88
2012-13	19.70	14.31	20.26	1.59	1.15	0.33	57.34	300400.58
2013-14	20.32	13.16	20.09	1.77	1.60	0.48	57.43	314415.73
2014-15	23.55	13.30	18.30	1.94	1.78	0.44	59.30	310352.01
2015-16	23.62	14.98	11.66	2.06	1.82	0.63	54.76	262291.09
2016-17	24.37	15.74	11.44	1.87	2.14	0.70	56.25	275852.43
2017-18	25.94	13.69	12.35	1.74	2.44	0.60	56.76	303376.22
2018-19	25.33	12.19	14.10	1.56	2.06	0.56	55.81	330069.60

Source: Computed for the data obtained from

<https://www.rbi.org.in/Scripts/AnnualPublications.aspx?head=Handbook%20of%20Statistics%20on%20Indian%20Economy>



Trends in the Imports of Principal Commodities

India's imports of principal commodities broadly followed the trends exhibited by exports. The relevant details are furnished in Table 4. It could be observed from the table that among the six principal commodities, the imports of pulses registered the highest growth rate of 12.11 per cent per annum perhaps due to two reasons. Firstly, the volume of imports of pulses itself is very low and hence due to its low base, the growth rate of imports of pulses could be very high. Secondly, pulses being an essential commodity, the imports of pulses are resorted to whenever there were crop failures or shortage of domestic production of pulses in the country. In order to maintain price stability in the economy, the imports of pulses is sought. Next to pulses, the imports of Electronic goods registered the second highest growth rate of 11.31 per cent. In absolute terms, the imports of this commodity group grew from US \$9.99 billion to US \$55.47 billion between the years 2004-05 and 2018-19. Another important import commodity groups that has registered the double digit growth rate was Iron and Steel. The imports of this commodity group, rising from US \$2.67 billion to US \$17.66 billion, registered spectacular growth of 10.27 per cent during the period from 2004-05 to 2018-19. The other commodity groups that have registered near double digit growth rates were the imports of Pearls, precious and semi-precious stones (9.79 per cent), Organic and Inorganic chemicals (9.28 per cent). The imports of the petroleum products being the largest item of imports put up an equally high growth rate of 7.96 per cent during the period under consideration. The compound growth rates of the imports of all the commodity groups were statistically significant at one per cent probability level as the computed 't'-test values were higher than the critical or theoretical 't'-value of 3.06 at 13 degrees of freedom.

In order to know the relative importance of different commodity groups in the total imports, an attempt has been made to compute the percentage shares of different principal commodities in India's total imports. The relevant details are furnished in Table 5. A cursory glance at the table indicates that petroleum products and crude petroleum constituted the single largest commodity group with its share ranging from a minimum of 21.77 per cent to a maximum of 36.6 per cent during various years of the study period. In spite of wide fluctuations

in the shares, on the whole, the share of this commodity group in India's total imports broadly remained constant around 27 per cent in the beginning and the terminal years of the study period.

Table – 4
Trends in India's Imports of Principal Commodities in Absolute Terms

(US \$ Million)

Year / Commodity	Petroleum, Crude and Products	Electronic Goods	Pearls, Precious and Semi-Precious Stones	Organic and Inorganic Chemicals	Iron and Steel	Pulses	Total Principal Commodities	Total Imports/All Commodities
-	1	2	3	4	5	6	1 to 6	-
2004-05	29844.10	9993.20	9422.70	5699.90	2669.70	395.60	58025.20	111517.40
2005-06	43963.10	13241.70	9134.40	6984.10	4572.20	559.30	78454.80	149166.00
2006-07	56945.30	15972.50	7487.50	7830.60	6424.70	860.10	95520.70	185735.20
2007-08	79644.50	20209.90	7971.60	9896.60	8688.60	1335.00	127746.20	251439.20
2008-09	93671.70	23333.80	16581.30	12203.00	9475.30	1358.10	156623.20	303696.30
2009-10	87135.90	22228.09	15925.89	10395.52	11573.44	2240.39	149499.23	288372.87
2010-11	105964.38	27939.11	33829.70	13464.09	14598.79	1648.83	197444.90	369769.11
2011-12	154967.55	34081.10	28039.62	16717.51	18254.71	1971.57	254032.06	489319.53
2012-13	164040.56	32892.67	22689.63	16784.13	17693.92	2449.99	256550.90	490736.65
2013-14	164770.33	32384.71	23988.41	17446.79	12686.01	2119.32	253395.57	450213.63
2014-15	138325.51	36857.08	22598.25	18593.02	16301.34	2786.11	235461.30	448033.41
2015-16	82944.47	40021.93	20069.95	16586.38	14977.55	3902.22	178502.50	381007.76
2016-17	86963.84	41930.40	23808.59	16598.44	11683.05	4244.13	185228.44	384357.03
2017-18	108658.70	51540.90	34278.91	20631.47	14617.60	2908.33	232635.91	465581.00
2018-19	140918.45	55471.41	27075.65	23827.69	17655.95	1140.76	266089.90	514034.09
CAGR %	7.96	11.31	9.79	9.28	10.27	12.11	9.09	9.40
R ²	0.48	0.94	0.64	0.89	0.62	0.57	0.68	0.73
t - calculated	3.47	14.32	4.86	10.03	4.65	4.15	5.28	5.91

Source:

<https://www.rbi.org.in/Scripts/AnnualPublications.aspx?head=Handbook%20of%20Statistics%20on%20Indian%20Economy>

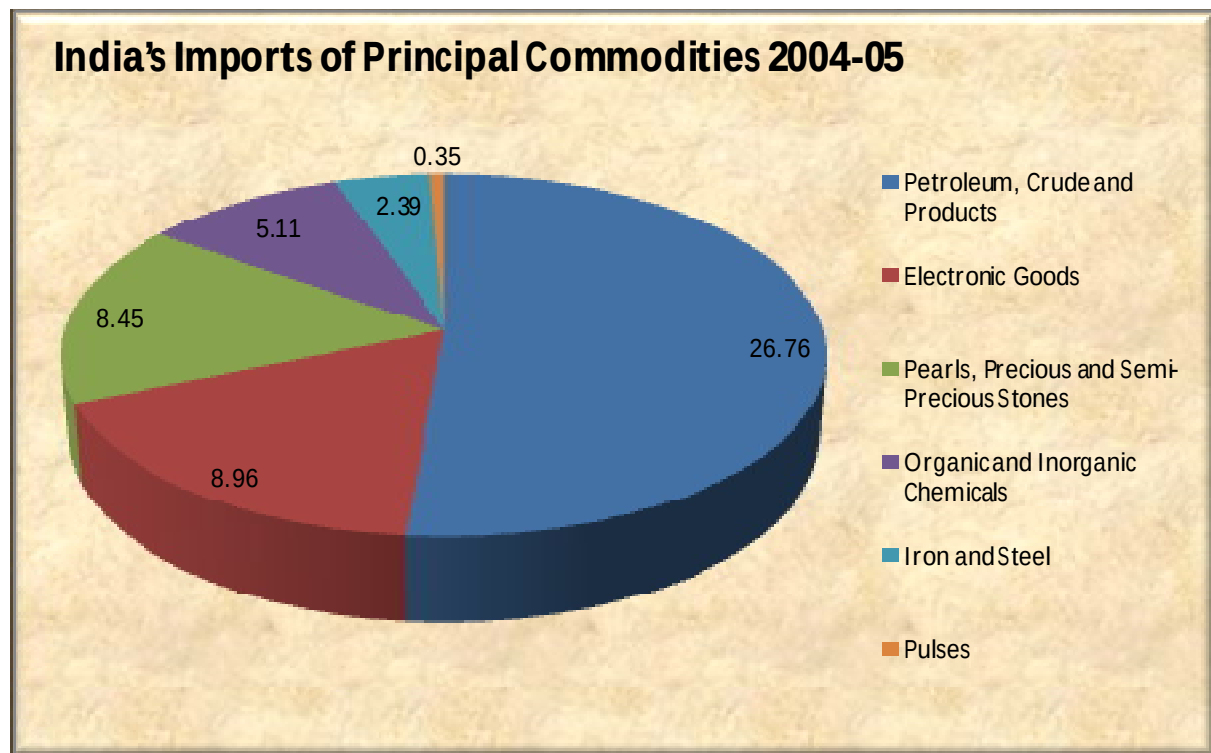
Table – 5
Trends in India's Imports of Principal Commodities in Relative Terms

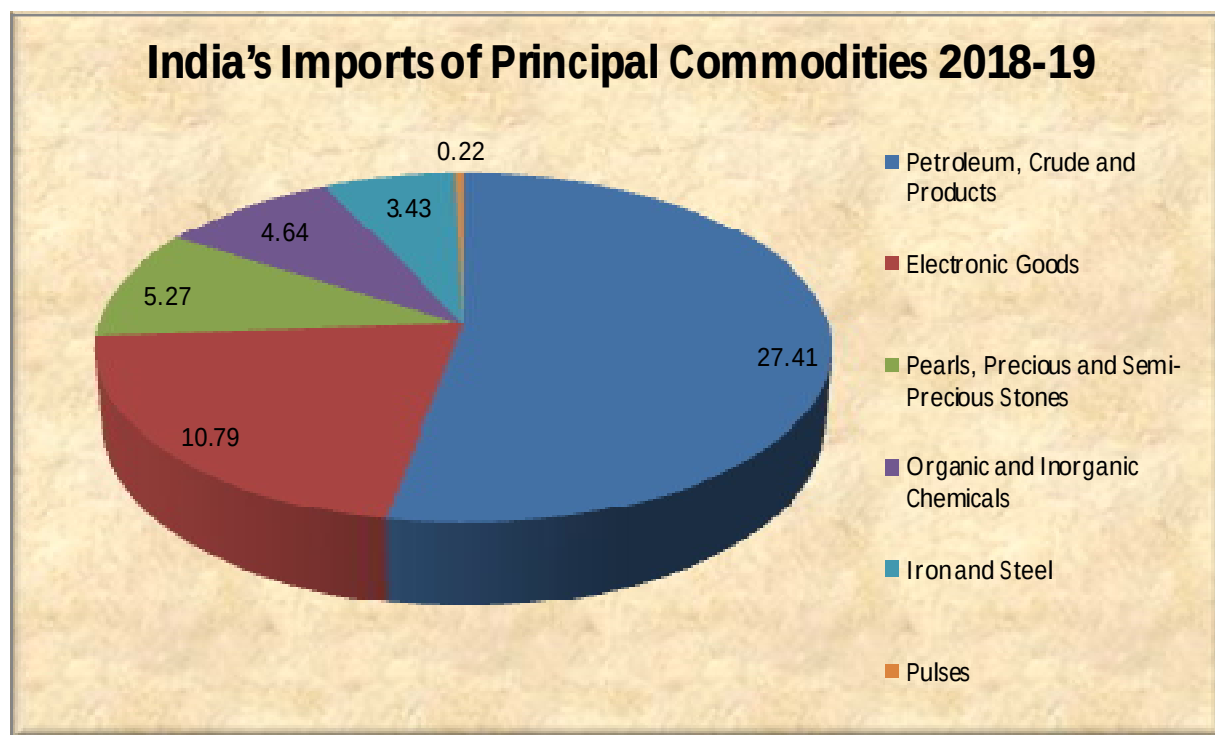
Year / Commodity	Petroleum, Crude and Products	Electronic Goods	Pearls, Precious and Semi-Precious Stones	Organic and Inorganic Chemicals	Iron and Steel	Pulses	Total Principal Commodities	Total Imports
-	1	2	3	4	5	6	1 to 6	-
2004-05	26.76	8.96	8.45	5.11	2.39	0.35	52.03	111517.40
2005-06	29.47	8.88	6.12	4.68	3.07	0.37	52.60	149166.00
2006-07	30.66	8.60	4.03	4.22	3.46	0.46	51.43	185735.20

2007-08	31.68	8.04	3.17	3.94	3.46	0.53	5081	251439.20
2008-09	30.84	7.68	5.46	4.02	3.12	0.45	5157	303696.30
2009-10	30.22	7.71	5.52	3.60	4.01	0.78	5184	288372.87
2010-11	28.66	7.56	9.15	3.64	3.95	0.45	5340	369769.17
2011-12	31.67	6.96	5.73	3.42	3.73	0.40	5192	489319.53
2012-13	33.43	6.70	4.62	3.42	3.61	0.50	5228	490736.69
2013-14	36.60	7.19	5.33	3.88	2.82	0.47	5628	450213.69
2014-15	30.87	8.23	5.04	4.15	3.64	0.62	5255	448033.47
2015-16	21.77	10.50	5.27	4.35	3.93	1.02	4685	381007.76
2016-17	22.63	10.91	6.19	4.32	3.04	1.10	4819	384357.09
2017-18	23.34	11.07	7.36	4.43	3.14	0.62	4997	465581.00
2018-19	27.41	10.79	5.27	4.64	3.43	0.22	5177	514034.09

Source: Computed for the data obtained from

<https://www.rbi.org.in/Scripts/AnnualPublications.aspx?head=Handbook%20of%20Statistics%20on%20Indian%20Economy>





Next to petroleum products, the imports of electronic goods occupied the highest share of around 10 per cent. As could be observed from the table, imports of electronic goods occupied a share of 8.96 per cent in the year 2004-05 and over the years with marginal fluctuations, the share has risen to 10.79 per cent in the year 2018-19. Another important commodity group that has displayed rising trend in the share over the study period was the imports of Iron and Steel. The share of this commodity group has soared from 2.39 per cent to 3.43 per cent between 2004-05 and 2018-19 after touching the peak level of 4.01 per cent in the year 2009-10. The other two commodity groups that have displayed clear declining trend in the shares over the period of time are Pearls, Precious and Semi-Precious Stone and Organic and Inorganic chemicals. The shares of these two commodity groups fell respectively from 8.45 per cent to 5.27 per cent and from 5.11 per cent to 4.64 per cent. The import shares of the last commodity group viz., Pulses exhibited highly erratic trends during the period under consideration.

Concluding Remarks

Trade is considered to be an engine of economic growth and it pulls all other sectors of the economy and takes forward towards sustainable development. The analysis of growth of India's exports during the 15 year period from 2004-05 to 2018-19 indicated that there has been near double digit growth. The growth momentum was very high until 2013-14 and the deceleration started since then. Had the same growth momentum continued even after 2014-15, India would have achieved double digit growth in exports in dollar terms and its exports – GDP ratio would have crossed 20 per cent. But the export – GDP ratio reversed after reaching the peak level of 16.93 per cent in 2013-14 and this reverse trend continued until the year 2018-19. This deceleration was prolonged than that witnessed after the global economic crisis of 2008 when the fall in exports was temporary for one year only. However, India's imports galloped unabatedly until 2013-14 when the imports-GDP ratio reached the peak level of 26.85 per cent. However, the ratio has been falling since then except in the year 2018-19. It is a matter of pride to note that India's principal export commodities consisted of engineering goods whose growth has been increasing steadily both in absolute and relative terms. Another welcoming trend emanated from the analysis of the data is that India's export basket has been diversifying over the years with the inclusion of handicrafts, marine and petroleum products. It is also worth noting that India's imports consisted of essential commodities needed for development purposes such as petroleum products, iron and steel and electronic goods whose imports have been increasing both in absolute and relative terms over the study period. The concentration of the import basket, however, has been narrowing down in recent years indicating that there is a possibility to control imports in subsequent years. The analysis of the data also clearly indicated that the impact of the 2008 global economic recession on the external sector was only short-lived and within one year the growth of both exports and imports picked up. However, in recent years, there has been a clear declining trend in India's exports and imports both in absolute and relative terms, perhaps, due to lack of adequate incentives or congenial environment for the exporters. Unless, this trend is reversed, the present lackluster growth may be continued in the years to come.

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