India's international trade since globalization

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Abstract
The major program of economic reform was introduce in 1991 with emphasize on external sector wherein the protective tariffs were reduced and the restrictive import licensing regime was relaxed and simplified.The policy focused primarily on liberalization of capital goods and imports for industry, to encourage domestic and export oriented growth. The objective of this paper is to explain the meaning of globalization in terms of the genesis, the evolution, and the characteristics of globalization with respect of India. The methodology adopted for this research is the Historical Analysis of the globalization process since 1991 the year become a sovereign nation till 2014. The analysis includes the study of Export and import of the government of India, responses of the trade and investment policies of the Government of India. The study reveals that globalization with reference of India has been rather shallow in its characteristics. It has been more of globalization in India and less of globalization of India.By the above study it can be concluded that, the exports are increasing at a decreasing rate but the imports are increasing at an increasing rate. As a result, the balance of trade is becoming unfavorable to India during the post globalization period. It is a remarkable achievement that we have transformed ourselves from a predominantly primary goods exporting country into a non-primary goods (manufactured goods) exporting country.

Introduction

The major program of economic reform was introduce in 1991 with emphasize on external sector wherein the protective tariffs were reduced and the restrictive import licensing regime was relaxed and simplified. Import licensing was totally abolished with respect to imports of machinery, equipment and manufacture intermediate products. Internal reforms include reduced control over location restriction and industrial licensing. In some sectors controls were reduced on administrative prices. The policy focused primarily on liberalization of capital goods and imports for industry, to encourage domestic and export oriented growth. However, imports of consumer goods remained regulated. There has been no change in this structure of export incentives and subsidies.

Objectives

2. To understand the concept of India's International Trade since Globalization**.**
3. To study the significance of international trade.
4. To study of the direction of India's trade after globalization.

Research Methodology

This paper is purely based on the secondary sources of the data collected form books, Journals, Thesis and articles, web links.

Significance of the Study

After Globalization the International trade plays a very important role in increasing the GDP level of India. The international trade acts asa boost in India's trade sector in terms of increase in Export and Import. The lager part of GDP comes from this sector so it is essential to understand the Impact of international trade in India on it.

India's Foreign Trade

While significant headway was made in liberalizing, telecommunications and other services such as shipping, ports and air ports that were beginning to open up; however, foreign participation remained relatively low and administrative barriers continued to exist. India amended its copy right law in 1994 to comply with its obligations under the Trade Related Intellectual Property Rights (TRIPs) agreement. There was also a significant change in tariff rates with the peak rate reduced from 300 per cent to 105 per cent, and the peak duty on capital goods cut to 80 per cent. Customs duty rates fell from an average of 97 per cent in 1990-91 to 29 per cent 1995-96. As a result India's export as well as import had increased during this period. Following table shows trend in India's export and imports and balance of trade.

Table No. 1
India's Foreign Trade (1991-2012),
(Rs. in crore)

Year	Exports	Imports	Total Trade	Balance of Trade
1991-1992	44042	47851	91893	-3809
1995-1996	106353	106353	229031	-16325
1999-2000	159561	215236	374797	-55675
2003-2004	293367	359108	652475	-268727
2010-2011	11369.64	16834.67	28204.31	-5471.03
2011-2012	14659.59	23454.63	38114.22	-8795.04

Source: Economic survey 2010-11 p. A80

The observation of the table reveals that **in the total foreign trade, the exports are increasing at a decreasing rate but the imports are increasing at an increasing rate.As a result, the balance of trade is becoming unfavorable to India during the post globalization period.** Table No. 3.6 brings out the growth of India's exports during the period 1991-92 to 2009-10. The table highlights that India's total trade increased from Rs. 91893 crore in 1991-92 to Rs. 229031 crore (2.49 times) in 1995-96; from Rs. 257737 crore in 1996-97 to Rs. 454218 crore (1.76 times) in 2001-02; from Rs. 552343 crore in 2002-03 to Rs. 1116827 crore (2.02 times) in 2005-06 and from Rs. 1412285 in 2006-07 to Rs. 2209270 (1.56 times) in 2009-10

Since overall growth of imports exceeded that of exports, the trade deficit witnessed a substantial rise from Rs. 3,809 crores in 1991-92 to Rs. 36,182 crores in 2001-02 and remained at Rs. 5, 18,202 crores in 2009-10. Trade deficit increased very sharply from 2004-05 to 2009-10

A) Composition of Trade

The composition of India's foreign trade has undergone substantial changes, particularly, after the liberalization and globalization. Our major exports now includes manufacturing goods such as Engineering Goods, Petroleum Products, Chemicals and allied Products, Gems and Jeweleries,Textiles, Electronic Goods, etc. which constitute over 80 per cent of our export basket. On the other hand, major import items constitute capital goods and intermediates, which not only support the manufacturing sector but also supplies raw-materials for the export oriented units.

i) Composition of Exports

Based on the categorization of export and imports by the government of India, we have the following analysis of the composition of exports and imports and changes therein.

Table No. 2
Composition of Export

Commodity Group	(Percentage share)	
	1990-91	2011-2012
Agriculture and Allied Products	19.5	20
Ores and Minerals	4.4	4.1
Manufactured Goods	73.0	70
Crude and Petroleum Product	2.9	4.9
Other Unclassified Items	0.2	1
Total	100.0	100.0

Source: Economic Survey of India, Various Volumes

From the table no. 3.7 it is clear that export of agriculture and allied activities declined by more than 9 per cent during the period of 1990-91 to 2006-07. Share of manufacture has declined by 4.4 per cent. Ores and minerals have registered an increased by 0.4 per cent and crude and petroleum products increase by 12.1 per cent. This clearly indicates a structural change in composition of our exports.

ii) **Composition of Imports**

Table No. 3

Commodity Group	(Percentage share)	
	1990-91	20011-2012
Agriculture and Allied Products	2.4	2.9
Fuel	26.7	33.2
Fertilizers	3.5	1.6
Paper, board, manufactures	1.0	0.6
Capital Goods	26.7	15.4
Others	26.8	43.8
Unclassified Items	12.9	2.5
Total	100.0	100.0

Source: Economic Survey of India, Various Volumes

It is clear from this table 3.8 that imports of Food and allied products have marginally increased by 0.5 per cent. Import of fuel continues to increase as domestic demand is increasing faster than the domestic output. There is decline in imports of capital goods indicating that India is capable of manufacturing these items. Composition of India's trade has undergone a positive change. **It is a remarkable achievement that we have transformed ourselves from a predominantly primary goods exporting country into a non primary goods exporting country.** Under imports too our dependence on food grains and capital goods has declined.

B) Direction of India's foreign trade

Over the years, India's trade with countries of Asia including ASEAN and Africa has gone up substantially. Apart from that, India is now a major player in global trading system and all the major sectors of Indian economy are linked to world outside either directly or indirectly through international trade.

The share of OECD countries, except North America, in India's overall export earnings declined continuously over the period 1996-2012. Developing countries and OPEC both emerged as the potential markets for Indian exports with their increasing shares. The share of Africa and Asian developing countries, particularly SAARC region, too showed an upward trend and these countries have emerged as good markets for Indian exports. India's export growth to developing countries (15.70 per cent) was found to be much higher than that of the export growth to developed countries (9.07 per cent) during 1991-2012, On the eve of economic reforms, Germany, U.K, Japan and Russia were respectable destinations for India's exports, but they lose their place with their continuously decreasing shares in India's total exports earnings. However, the share of U.S.A declined during the last couple of years, but it remained number one destination for Indian exports during the whole study period. On the other hand, the share of U.A.E and China rose quite sharply and both the countries reached at number two and three position respectively as export destinations during the study period.

Having negligible share in India's export earnings in 1991, China alone emerged as the leading market for Indian exports during the post-reforms period. Hong Kong also registered an increase in its share in India's exports. Singapore registered a remarkable increase in its share in India's export earnings. Directional change toward developing countries may be attributed to India's involvement in regional trading agreements particularly with developing countries, liberalization of economies in Asia and Africa and impact of WTO commitments on trade policies of member countries.

India's Exports and Imports of Services

In recent years, the focus of services trade has shifted away from just facilitating trade in goods as the sector has emerged as an independent entity in itself with services trade in the four supply modes opening up new opportunities. The integration of telecommunication and computer technology has made virtually all services tradable across borders. The trend towards globalization, reinforced by liberalization policies and the removal of regulatory obstacles, has fuelled steady growth of international investment and trade in services.

India's Exports of Services Important: Since data below is for latest time period hence data above too should be of same period so as to maintain consistency.

India is moving towards a services-dominated GDP growth with a 10 per cent CAGR for services which is higher than the 6.7 per cent for non-services during 2004-05 to 2009-10 Services exports reached US$ 106 billion in 2008-09 with a moderate growth of 17.3 per cent over the previous year. As a result of global recession, they declined to US $ 95.8 billion in 2009-10 with a negative growth of (-) 9.6 per cent.

The miscellaneous item of services exports with a nearly three-fourths share of total services exports, slightly improved its share in the first half of 2010- 11 with a growth of 28.2 per cent. The share of software services declined to 45.7 per cent in the first half of 2010-11 from 50.8 per cent in the corresponding period of 2009-10. This was a result of moderate growth of 14.7 per cent in the first half of 2010-11 and the revival of non-software services exports. Non-software services exports which had registered a high negative growth of (-) 41.2 per cent in 2008-09 increased their share to 29.5 per cent with the high growth of 56.9 per cent. The increasing share of business services in non software services exports is noteworthy. Both business services and financial services exports registered very high growth of 111.4 per cent and 64.9 per cent. More than the base effect, this was due to the revival of these exports, following global recovery. The fall in share of travel services from 21.5 per cent in 2000-01 to 11.4 per cent in the first half of 2010-11 is a cause of concern. This reflects the fact that we have not yet tapped the vast tourism potential of India.

Table No. 4
India's Exports of Services

Sr. No.	Years	Percentage share	
		2000- 01	**2011-12**
1	Travel	21.5	12.4
2	Transportation	12.6	11.7
3	Insurance	1.7	1.7
4	GNIE	4.0	0.5
5	Miscellaneous	60.3	73.8
	a)Software Services b) Non-software Services of which:	39.0 21.3	51.9 21.9
	i) Business Services ii) Financial Services iii) Communication Services	2.1 2.1 7.0	11.9 3.9 1.3
	Total Services Exports	**100.0**	**100.0**

Source: Economic Survey 2010-11 P. 172, http://indiabudget.nic.in

India's Imports of Services

Imports of commercial services have become important in recent years reaching US$ 52 billion in 2008-09 and US $ 60 billion in 2009-10. But it had low growth of 1.1 per cent in 2008-09 and moderate growth of 15.3 per cent in 2009-10. Business services are the most important category of services imports, followed by transportation and travel. Import growth of business services declined by (-) 7.5 per cent in 2008-09 picked up by 17.8 per cent in 2009-10. It grew robustly at 62.9 per cent in the first half of 2010-11. Import growth of transportation and travel which fell in 2009-10 turned positive in the first half of 2010-11. Financial services imports grew by 68 per cent.

Table No. 5
India's Imports of Services

Sr. No.	Years	Percentage share	
		2000- 01	**2011-12**
1	Travel	19.2	15.6
2	Transportation	24.4	19.9
3	Insurance	1.5	2.1
4	GNIE	2.2	0.9
5	Miscellaneous	52.6	61.5
	a) Software Services b) Non-software Services of which:	4.1 48.6	2.4 59.1
	i) Business Services ii) Financial Services iii) Communication Services	7.0 13.5 0.9	30.1 7.7 2.3
	Total Services Imports	**100.0**	**100.0**

Source: Economic Survey 2010-11 P. 173, http://indiabudget.nic.in

Balance of Trade in Services

There is a growing concern about a high merchandise trade deficit coupled with inflation derailing the growth momentum. However the less known fact is that the falling services trade surplus is adding to the woes on the current account deficit front, instead of acting as a cushion as was the case earlier. Services trade surplus which increased steadily in this decade to reach

US$53.9 billion in 2008-09, fell drastically in the global crisis year of 2009-10 to US$ 35.7 billion. This was caused by the collapse in exports of non-software services, particularly business services, the slow growth of software services, and the rise in import of non software services, particularly business and financial services. The low service trade surplus situation continued in the first half of 2010-11. This was due to the sudden rise in imports of non-software services, particularly business and financial services which overshadowed the rise in exports of business and financial services. Following table Shows Balance of trade in services.

Table No. 6

India's Exports, Imports and Balance of Trade in Services (2000-2012) (US $ billions)

Sr. No.	Exports	Imports	Balance
2000-01	16.3	14.6	1.7
2001-02	17.1	13.8	3.3
2002-03	20.8	17.1	3.6
2003-04	26.9	16.7	10.1
2004-05	43.2	27.8	15.4
2005-06	57.7	34.5	23.2
2006-07	73.8	44.3	29.5
2007-08	90.3	51.5	38.9
2008-09	106	52	53.9
2009-10	95.8	60.0	35.7
2010-11	55.7	36.2	19.5
2011-2012	84.08	39.03	24.5

Source: Economic Survey 2011-12 P. 173, available on **http://indiabudget.nic.in**

Conclusion

By the above study it can be concluded that, the exports are increasing at a decreasing rate but the imports are increasing at an increasing rate. Trade deficit increased very sharply from 2004-05 to 2009-10.The composition of India's foreign trade has undergone substantial changes, particularly, after the liberalization and globalization. Our major exports now includes manufacturing goods such as Engineering Goods, Petroleum Products, Chemicals and allied Products, Gems and Jewelries,Textiles, Electronic Goods, etc.India's Exports of Services Important: Since data below is for latest time period hence data above too should be of same period so as to maintain consistency.It is a remarkable achievement that we have transformed ourselves from a predominantly primary goods exporting country into a non-primary goods (manufactured goods) exporting country. By exploiting the benefit of GATS now India is becoming the largest exporter of services.

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