

International Finance
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Lecture - 33
India's Foreign Trade - Direction and Composition

In session 33 we will be discussing about India's foreign trade, direction and composition. Here we will be discussing about the export, import, the composition of export, composition of the imports and also we will discuss what are the direction means where the export imports are coming and going, how it over the year India's foreign trade developed, the pattern of the trade composition of goods and services in export side import side, how it has developed over the liberalisation period. We will be discussing about nearly 20 years of data, how the Indian foreign trade pattern and direction has developed since then.

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India's Exports

- International trade for the Indian context is as old as her civilization.
- Prior to colonization India's was known as a centre for manufacturing goods and value added products.
- After colonization India was converted into a centre for supply of raw materials.
- This had tilted our trade basket and transformed Indian economy into a consumption country of manufactured commodities and suppliers of raw materials and minerals.



Here while discussing about India's foreign trade, we should understand that India's export, India, Indian civilization if you see over the year, the international trade or international, internationalisation of India's foreign trade is as old as the Indian civilization itself. India during the time of early civilization period it was known as a centre for manufacturing goods. However, when India become colonised, the

colonization prior to that India was known as a centre of manufacturing of goods and value added product.


After colonization by the Britishers, India was converted into a centre for supply of raw materials. Indian foreign trade was destroyed by the Britishers knowingly. They know that India is more towards value added export and which will affect their own interest. Because of this reason India was converted into a raw material supplier to the rest of the world rather than a manufacturing centre. This has tilted our trade basket and it was a transferred transformed India's economy into a consumption country of manufacture commodity and supply of raw materials and minerals to rest of the world. And the value addition type of export could not be there till India got the independence.

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Exports Basket

Exports Baskets:

- **Agriculture and Allied products**
 - Tea, Coffee, Rice & Wheat
 - Cotton Raw, Tobacco, Cashew, Spices
 - Fruits and Vegetables, Processed Fruits, Juices, Marine Products
 - Sugar and Mollases, Meat and Meat Preparations
- **Ores & Minerals**
 - Iron Ore, Mica, Other Ores and Minerals
- **Manufactured Goods**
 - Leather and Manufactures
 - Basic Chemicals, Pharmaceuticals & Cosmetics Plastic
 - Rubber, Glass, Paints, Enamels and Allied Products
 - Iron & Steel & Manufacture of Metals
 - Machinery and Instruments
 - Electronic Goods
 - Textile, Readymade Garments, Jute, Coir, Silk products
 - Gems and Jewellery and Handicrafts



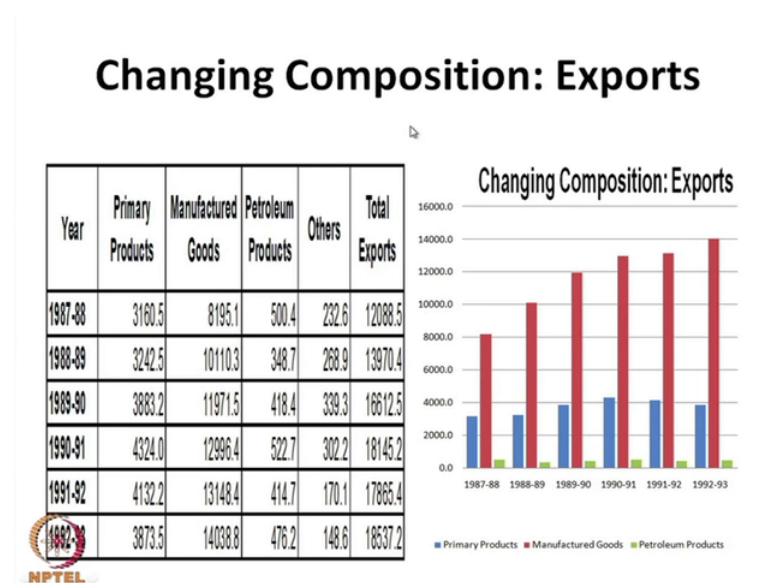
After the independence after the independence the government of India tried to develop the export sector, tried to do more activity in value addition side of export import, tried to develop the manufacturing base for the Indian export side and this has been continuously taking place in in case of Indian economy. But however, if you see the Indian basket of export, export basket till now also the large chunk of the export basket here is agriculture and allied product, which include tea, coffee, rice, wheat, cotton, raw material, tobacco, spices, fruits, vegetables, processed foods, juice, marine product, sugars, molasses, meat, meat product all these thing are agriculture and allied sector.

Similarly, in the Indian export basket also primarily have ores and minerals. The ores and minerals are primarily in the form of iron ores iron ores, mica and other ores of minerals. But manufacturing goods and services though it is there not significantly, however recent year after the economic liberalisation, Indian economy started to be a manufacturing base and because of this reason some manufacturing side of items has been developed in an Indian export basket.

The manufacturing goods primarily in the form of leather manufactures, basic chemicals, pharmaceutical product, cosmetic product, rubbers, glasses, paint enamels and allied product. Iron and steel, manufactures of metals, then machineries and instruments, electronics goods, textile, readymade garment, jutes, coir, silk, silk product, gems, jewellery and handicraft product.

These are the some item within the manufacturing goods and services are there in the Indian export, but these are the prime large segment of the export side and over the year this large segment has developed in different composition pattern. How this composition of Indian export basket has changed over the year. So, this is our understanding of this class or this session.

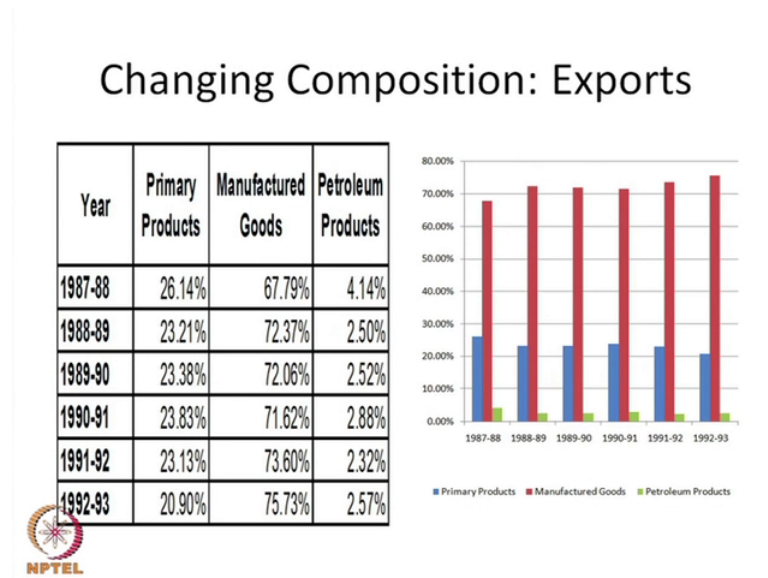
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We have to understand that how prior to just after the economic liberalisation particularly 97 98 or 87 88 onwards. The primary product constitutes significant part of our export within the manufacturing product also there and within the manufacturing

products some extent petroleum products are there and total export basket developed in that way.

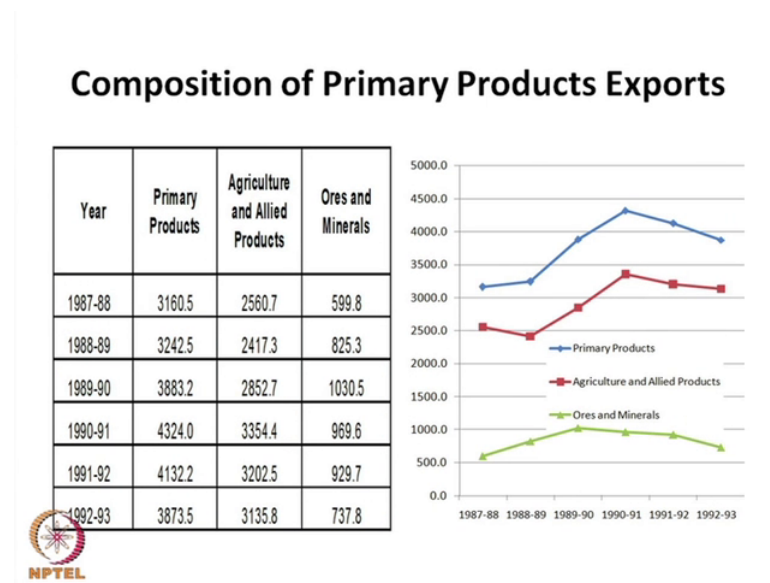
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If you see the composition side 97, 1987 to 92 93 the composition is like that. 26 percent of their export basket was primary product and 67 percent nearly 68 percent was in a manufacturing goods and petroleum product particularly the crude oil refining of the crude oil, India generally imports huge amount of crude oil, refining process some by-product comes, the part by-product become export for the Indian sector, Indian side and this export of petroleum product was around 4 percent. This has been, in this has been developed in a significant way recent year in 19 99 1987 to 1992 93 the primary product shares in the export basket reduced from 26 percent to around 21 percent.

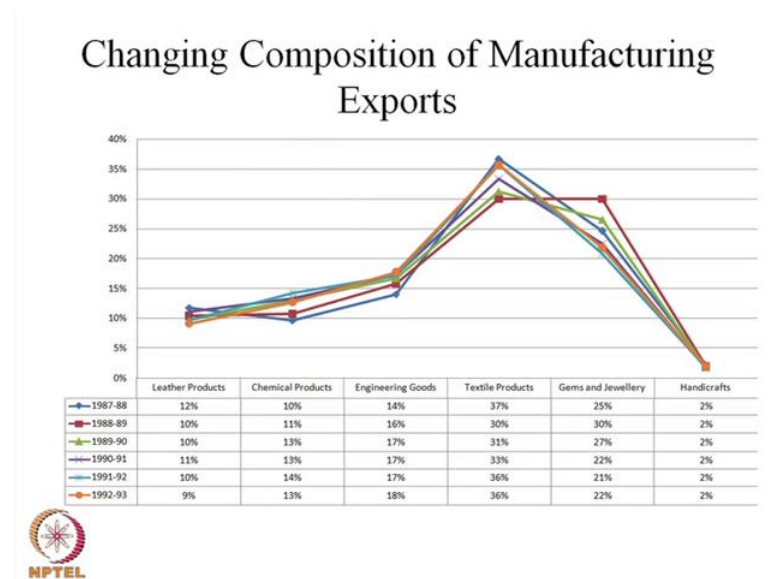
However, the manufacturing good has increased from 67 percent to 75 76 percent. Similarly, the petroleum export side reduce from 4 percent to 2.57 percent. This indicate that after the economic liberalisation in 91, 92 some extent the development, the primary, that development of export basket has taken place. The value addition side of export basket has increased. The value addition in the form of manufacturing goods has increased and this has given more export revenue to India.

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If you see the after 90 90, after that...

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In the, within the manufacturing sector if you see 97 to 97 98 to 2000 93 1987 88 to 92 93 the manufacturing base, the manufacturing sector which come, which generally have nearly 70 percent of our export basket weight. Generally, if you see that textile garment, textile product, particularly textile and garment, readymade garment sector constitute nearly 36 percent after that gems, gems and jewellery side nearly 22 percent and after that engineering goods constitute nearly 18 percent and these two, within the

manufacturing sector manufacturing sector the engineering goods, textile, readymade garment and gems and jewellery these three segment constitute significant part of the our export side.

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Changing Composition: Exports

- Prior to industrial decontrol agriculture and allied products along with manufacturing goods were contributing export earnings.
- Primary products like agriculture and ores and minerals were contributing about 25% of export earnings and rest were from manufacturing sector.
- Within the primary products, agriculture and allied products were contributing about 90%.
- Among manufacturing goods, shares of Leather goods, Gems and Jewellery, textile products, garments, chemicals and engineering goods have been increasing over the years.



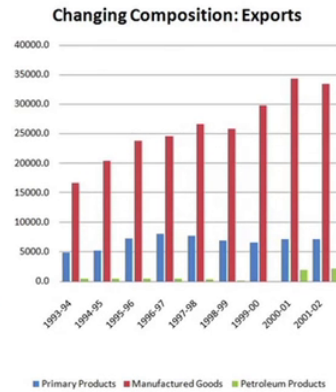
After the changing composition export if you see in prior to industrial decontrol agriculture and allied product they constitute the main significant part over the our, part of our export basket and after the liberalisation, the manufacturing sector now constitute more of the export basket. Primary product like agriculture and ores and minerals were contributing nearly 25 percent of the export earning, rest were come from the manufacturing sector. Within the primary product, agriculture and allied activity were contributing nearly 90 percent of our export earnings.

Among the manufacturing goods and services leather goods, gems, jewellery, textile, readymade garment chemicals engineering goods have been increasing over the year as a part of our value added export side.

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Changing Composition: Exports

Year	Primary Products	Manufactured Goods	Petroleum Products	Others	Total Exports
1993-94	4915.7	16666.7	397.8	268.0	22238.3
1994-95	5214.4	20404.4	416.9	294.7	26330.5
1995-96	7256.9	23747.0	453.7	337.3	31794.9
1996-97	8035.1	24613.4	481.8	339.4	33469.7
1997-98	7687.3	26546.6	352.8	419.8	35006.4
1998-99	6927.9	25791.5	89.4	410.0	33218.7
1999-00	6524.2	29714.4	38.9	544.9	36822.4
2000-01	7126.2	34335.2	1869.7	1229.2	44560.3
2001-02	7163.6	33369.7	2119.1	1174.3	43826.7

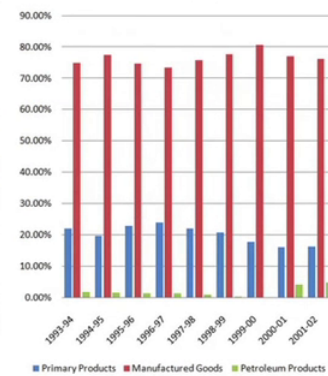


And if you see the direction of the changing pattern of the export after 93 94 2001 2 the manufacturing goods and has been increasing and there has been declining in the primary product in in the export basket.

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Changing Composition: Exports

Year	Primary Products	Manufactured Goods	Petroleum Products
1993-94	22.10%	74.90%	1.79%
1994-95	19.80%	77.49%	1.58%
1995-96	22.82%	74.69%	1.43%
1996-97	24.01%	73.54%	1.44%
1997-98	21.96%	75.83%	1.01%
1998-99	20.86%	77.64%	0.27%
1999-00	17.72%	80.70%	0.11%
2000-01	15.99%	77.05%	4.20%
2001-02	16.35%	76.14%	4.84%

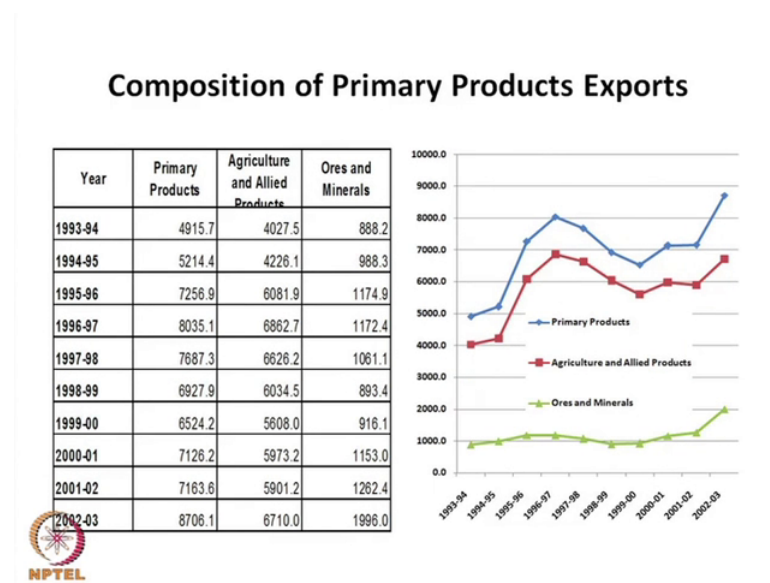


See, if you see that percentage side that primary product reduced from 22 percent to 16 percent. It was in 93 94 22 percent to export basket which weight has reduce to 16.35 percent in 2001 and 2. So, the earlier the primary product constitute nearly 16 percent of nearly 22 percent of our export basket revenue has declined to 16 percent within 10

years. However, the manufacturing base though it is almost remain stagnant around 75 70 75 to 77 80 percent however, marginally increased over the last 10 years.

However the petroleum export that increased from 1 nearly 2 percent to 5 percent in 10 years. As I mentioned earlier petroleums are by-product the petroleum crude oil which we are importing, from the crude oil some by-products are coming through the manufacturing process and the by-product has become our export revenue and this has increased from the nearly 2 percent to 4 5 percent in last 10 years.

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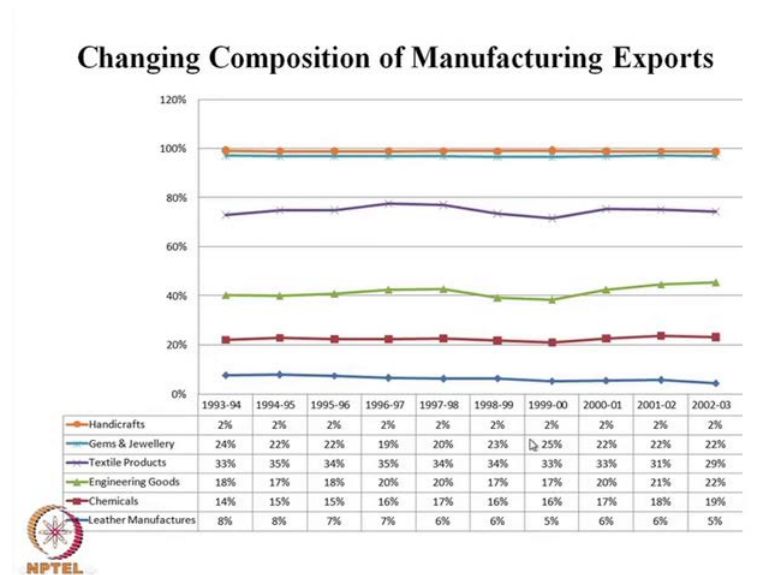


The composition has changed significantly. If you see the composition, a composition within the primary product, within the primary product the composition is more towards what is called agriculture and allied activity, ores minerals also increase the export revenue because many mineral sector, minerals and ores sector has been decontrolled and they had they has become a export revenue for India and export has been increased because of mineral export also. Last 10 years India has increased the export revenue and it has contribute nearly 200 million 2000 millions of US dollar in 2002 3 as a export revenue from through the mineral export.

The allied agriculture and allied activity also constitute nearly 6700 million US dollars in 2002 3 out out of the primary export of 8700 millions of US dollar 6700 million constitute by the agriculture and allied activity and nearly 2000 million constituted for ores and mineral sector. And there has been significant increase in in case of ores and

mineral recently after the 92 93 94 economic liberalisation and decontrol of the mineral sector.

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If you see the manufacturing side manufacturing side particularly the manufacturing which you have divided into five parts like a handicraft, gems jewellery, textile, engineering, chemicals and leather product and if you see the manufacturing side. Similarly in 93, 94 to till 2002, 3 the same manufacturing base that is called your gems jewellery nearly 22 percent of export revenue textile product readymade garment constitute nearly 35 percent of export revenue and engineering good nearly constitute nearly 17 to 20 percent export revenue.

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Changing Composition of Manufacturing Exports

- After 1991 economic reform, the contribution of primary products in the export basket has been declining since 1993.
- The primary product exports has been reduced from 22% in 1993 to 16% in 2002.
- At the same time the contribution of manufacturing products increased to 77% in 2002 from 75% in 1993.
- Within the primary products, share of ores and mineral exports has increased.
- Among manufacturing goods, shares of Leather goods, Gems and Jewellery, textile products, garments, chemicals and engineering goods have been increasing over the years.



However, the chemical side chemicals means chemicals has become a significant part to our export revenue nearly 15 percent of export revenue coming from the, 15 17 percent export revenue is coming from the chemical side. Leather garment, leather manufacturing side has been declining over the year and as a force of export revenue. So, after the 90 91 economic liberalisation what we have achieved? We have after the 91 economic, 91 economic liberalisation the contribution of primary product in the export basket has been declining.

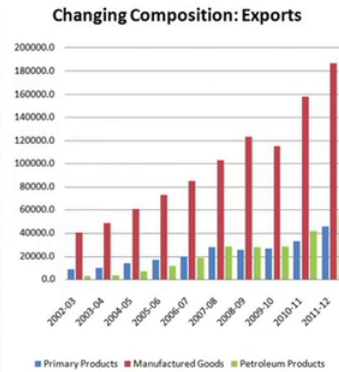
The primary product export has reduced to from 22 percent to in 93, 92, 93 to 16 percent in 2002. At the same time the contribution of manufacturing product increased from 70 increased to 77 percent in 2002 and within the primary product share of ores and mineral has been increasing, among manufacturing goods and goods shares of leather goods, gems and jewelleryes, textile product, garment, chemicals, engineering goods have been increasing over the year and this is given a a new phenomenon to export basket and our export basket constitute more now value added value added exports rather than non value added export or the raw materials in raw material earlier.

So, after the economic reform measure the value added export has increased in our export basket, this is a good sign for export earnings.

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Changing Composition: Exports

Year	Primary Products	Manufactured Goods	Petroleum Products	Others	Total Exports
2002-03	8706.1	40244.5	2576.5	1192.3	52719.4
2003-04	9901.8	48492.1	3568.4	1880.3	63842.6
2004-05	13553.3	60730.7	6989.3	2262.6	83535.9
2005-06	16377.4	72562.8	11639.6	2510.7	103090.5
2006-07	19685.9	84920.4	18634.6	3173.2	126414.1
2007-08	27551.9	102978.8	28363.1	4010.5	162904.3
2008-09	25335.4	123148.9	27547.0	9263.7	185295.0
2009-10	26396.5	115180.7	28192.0	8982.2	178751.4
2010-11	32844.7	157993.9	41480.0	18817.7	251136.2
2011-12	45574.0	166784.2	55803.5	16661.7	304623.5

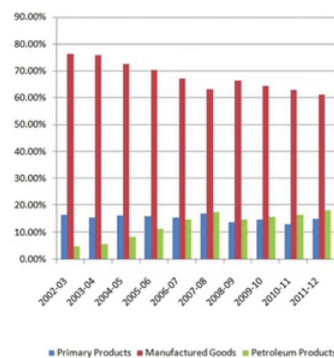


But, however if you see after 2002 3 till 2011 12 that primary export, primary product and has increased significantly, the manufacturing sector also increasing, petroleum product also increased and there is a export basket has increased significantly in the composition side also.

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Changing Composition: Exports

Year	Primary Products	Manufactured Goods	Petroleum Products
2002-03	16.51%	76.34%	4.89%
2003-04	15.51%	75.96%	5.59%
2004-05	16.22%	72.70%	8.37%
2005-06	15.89%	70.39%	11.29%
2006-07	15.57%	67.18%	14.74%
2007-08	16.91%	63.21%	17.41%
2008-09	13.67%	66.46%	14.87%
2009-10	14.77%	64.44%	15.77%
2010-11	13.08%	62.91%	16.52%
2011-12	14.96%	61.32%	18.25%

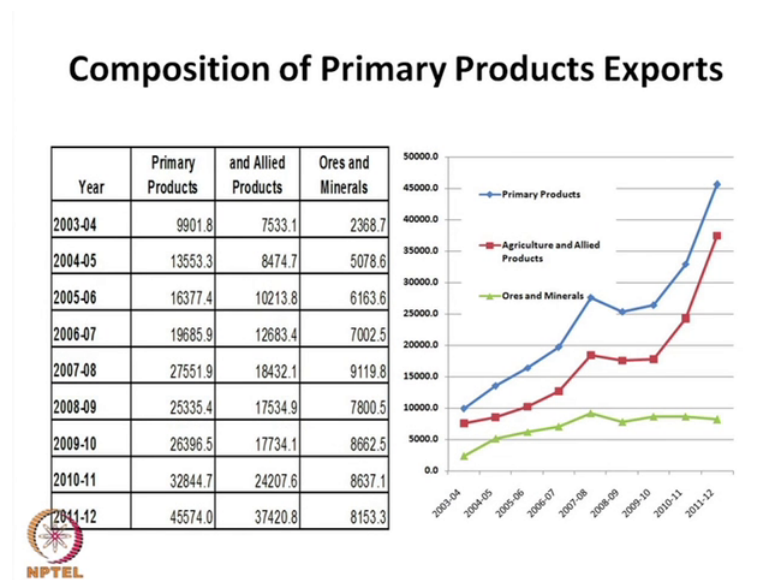


Composition side if you see the primary product further declined further declined last 10 year that is 2002, 3 to 2011, 12 the primary product that is agriculture and land activity

and ores and minerals, this constitute earlier constitute nearly 16 percent export basket export revenue has declined to nearly 15 percent.

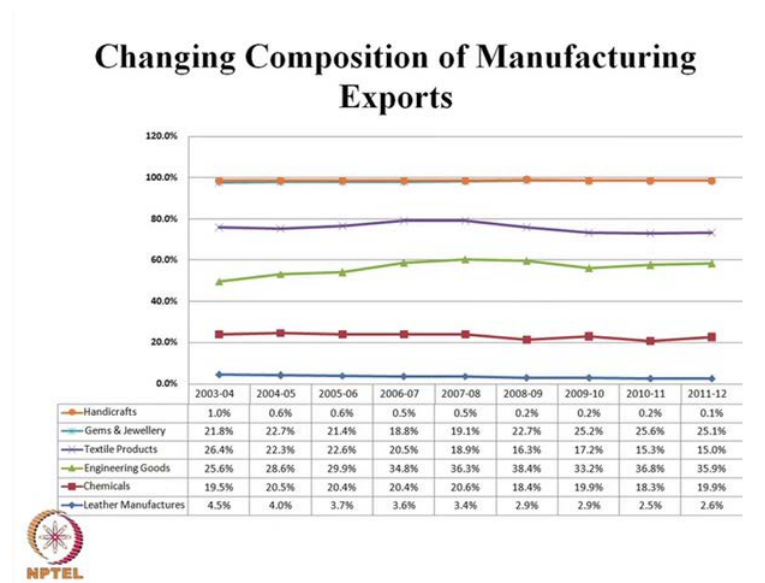
Manufacturing sector though it was around 70 percent it has recently declined because of recession and decline start 2005, 6 and 2007, 8 onwards there has been economic recession, world export has a decline and because of this reason manufacturing goods export also declined. Petroleum product export primarily the petroleum product export has recently increased and this has primarily the by-product of the petroleum crude oil sector.

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And this composition has...

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Further, if you see the composition side the manufacturing sector composition of last 10 years that (()) gems, handicraft, your handicraft sector has export has declined significantly nearly 0.1 percent, gems jewellery sector also there has been significant decline recent year because of the economic recession world over. However, they constitute nearly 20 percent of our export basket, textile also though it is around 20 percent it has also declined because of the recession in world economy, engineering goods and services because Asia has become a source of engineering goods and services and because of this reason Indian export in engineering goods services increased and it is now nearly around 35, 40, 35, 37 percent.

Similarly, also leather garment and chemicals. Chemicals also constitute nearly 20 percent our export revenue and leather garment, leather manufacturing side has reduced the export side and this reduction is primarily due to world recession. If you see 2007, 8 onwards there has been declining in the export sector and this decline is primarily because of the recession phenomenon involved evolved market

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Changing Composition of Manufacturing Exports

- During the consolidation phase of economic reform the contribution of primary products in the export basket has declined significantly.
- The primary product exports has been reduced to 15% in 2012.
- At the same time the contribution of manufacturing products also declined to 66% in 2012 while petroleum products exports increased to 18%.
- Within the primary products, shares agricultures and ores and mineral exports has increased during the last decade.
- Among manufacturing goods, shares of Leather goods, Gems and Jewellery, textile products, garments, chemicals and engineering goods have been increasing over the years.



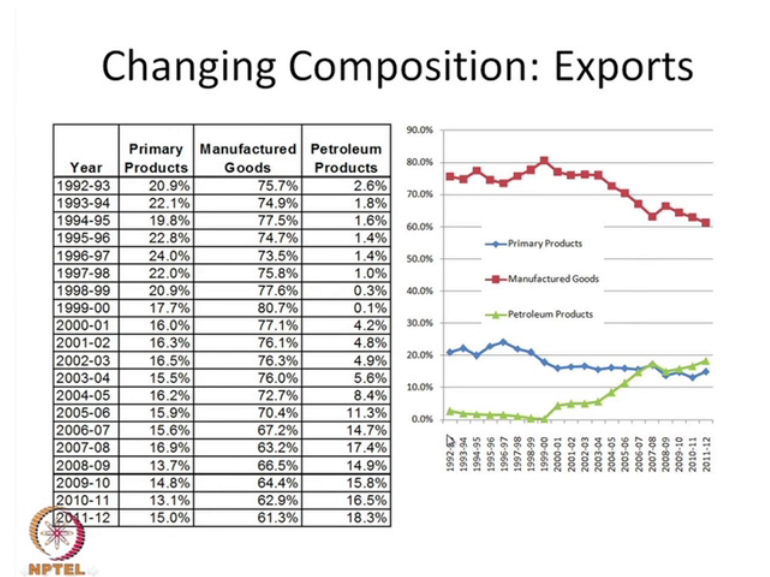
And the changing composition if you see last 10 years there has been significant change in the export basket and during the last 10 years generally we call it the phase of consolidation of Indian liberalisation. Now, the economic reform has contributed in declining of the primary product export and value added product export has increased significantly. The decline in export product, primary product up to the 15 percent in 2012, at the same time contribution of manufacturing product has increased. However, after 2006 it has declined and there is a significant increase in petroleum product export to and it has constitute nearly 18 percent of our export revenue. Within the primary product share of agriculture and ores and minerals has increased during the last decade.

Among the manufacturing goods and share leather goods, gems, jewellery, textile, garment and chemicals, engineering goods have been constituting significant part of our exporter earning. However, this a export earning, pattern of export has changed, pattern of export has changed. However, recently because of world economic recession the 2007 8 onwards the manufacturing sector has not contributed significantly to the export earning, the declining export revenue over the years and this declining part is because primarily due to world recession.

However, if you analyse the after the economic liberalization the significant indicators are the declining of the contribution of the raw materials and minerals, ores and agriculture product as a part of our export revenue. There has been significant increase in the export

revenue through the manufacturing goods, value added goods services and this has a changed our pattern of export and which is more towards value addition and more towards earning of export in a dollar term.

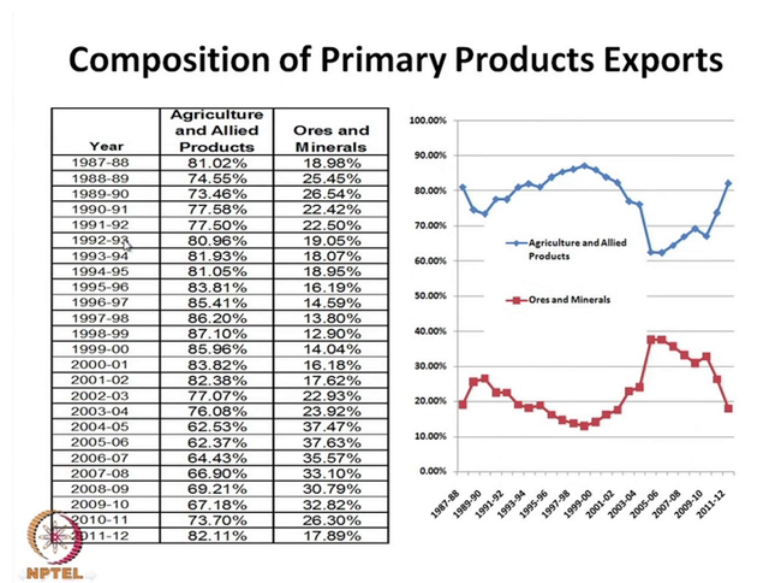
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If changing composition of export if you see last 20 years of exporter, export sector I have export basket I have given to you. If you see the diagram the there is a significant declining in the primary product export. The primary products percentage to total export has declined from 21 percent to 15 percent. Even manufacturing goods, it has increased however after 2004 5 there is a recession in world market because of this has declined, decline, however it has contribute significantly to our export sector. Petroleum product has increased after 2004 5.

This petroleum product is a by-product for export crude oil side and this has contribute significantly to our export earning and there is shift clear shift in export basket from the primary product export to the manufacturing product export and value added product export in our export basket. And if you see the declining of the primary product is a is a indication of changing of export basket and more value addition of export side and this is a good sign for changing of for Indian context, for earning of export revenue.

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On the other hand if you see the primary product export and the composition the agriculture and allied product, their composition almost remain constant in our export basket. However, ores and mineral fluctuating within a every year in that export basket. If you see the graph, the graph is, there is a significant declining of the ores mineral up to 2004 5 after that it has increased, after that further declining in 2011, 12. Similarly, if you see the agriculture side, agriculture and allied product that is significant up to 2000 92 93 there is a decline, after there is an increase and after that it declined in in 2004, 5 after it has increased further and this indicate the, within the primary product within the primary product export the composition had not changed.

However, primary product export in the total export side has declined, the, still our agriculture and allied product constitute a significant part of our export earning and in export basket. Minerals export though increased recently, but it has not significantly contributing to our export earning compared to the agriculture and allied activity.

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Manufacturing Exports: 1987-2012

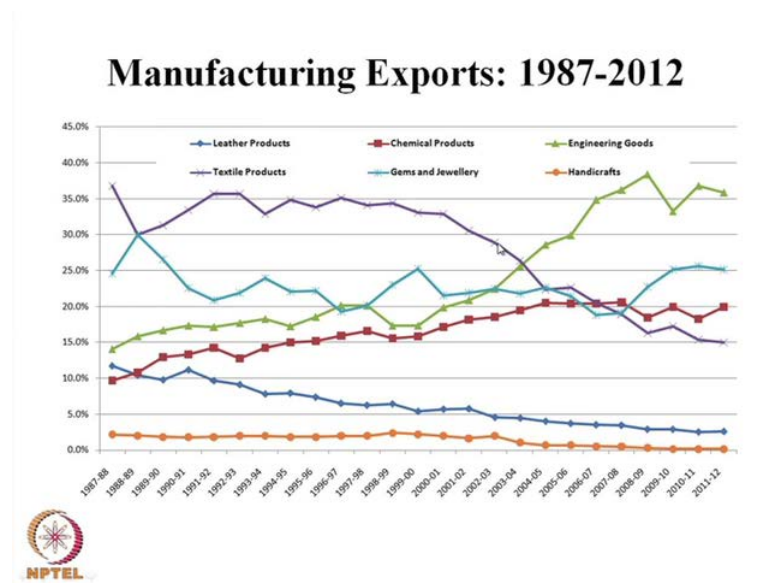
Year	Leather Products	Chemical Products	Engineering Goods	Textile Products	Gems and Jewellery	Handicrafts
1987-88	11.8%	9.7%	14.1%	36.8%	24.6%	2.1%
1988-89	10.4%	10.8%	15.8%	30.0%	30.0%	2.0%
1989-90	9.8%	13.0%	16.7%	31.3%	26.6%	1.9%
1990-91	11.2%	13.3%	17.3%	33.4%	22.5%	1.7%
1991-92	9.6%	14.2%	17.1%	35.7%	20.8%	1.8%
1992-93	9.1%	12.7%	17.7%	35.7%	21.9%	2.0%
1993-94	7.8%	14.3%	18.2%	32.9%	24.0%	1.9%
1994-95	7.9%	15.0%	17.2%	34.9%	22.1%	1.9%
1995-96	7.4%	15.1%	18.5%	33.8%	22.2%	1.8%
1996-97	6.5%	15.9%	20.2%	35.1%	19.3%	1.9%
1997-98	6.2%	16.6%	20.1%	34.1%	20.1%	2.0%
1998-99	6.4%	15.5%	17.3%	34.4%	23.0%	2.5%
1999-00	5.4%	15.8%	17.3%	33.1%	25.2%	2.3%
2000-01	5.7%	17.1%	19.9%	32.9%	21.5%	1.9%
2001-02	5.7%	18.1%	20.9%	30.6%	21.9%	1.6%
2002-03	4.6%	18.5%	22.4%	28.9%	22.4%	2.0%
2003-04	4.5%	19.5%	25.6%	26.4%	21.8%	1.0%
2004-05	4.0%	20.5%	28.6%	22.3%	22.7%	0.6%
2005-06	3.7%	20.4%	29.9%	22.6%	21.4%	0.6%
2006-07	3.6%	20.4%	34.8%	20.5%	18.8%	0.5%
2007-08	3.4%	20.6%	36.3%	18.9%	19.1%	0.5%
2008-09	2.9%	18.4%	38.4%	16.3%	22.7%	0.2%
2009-10	2.9%	19.9%	33.2%	17.2%	25.2%	0.2%
2010-11	2.5%	18.3%	36.8%	15.3%	25.6%	0.2%
2011-12	2.6%	19.9%	35.9%	15.0%	25.1%	0.1%



If you see the manufacturing sector I have given you 2000, 1997 to 2012, if you see the manufacturing side the data constitute nearly 25 years of data, this 25 year there has been a leather product leather product export has declined significantly over the year, chemicals export has increased from nearly 10 percent to 20 percent now. Engineering goods export has significantly increased it was nearly in 87 88 it was only 14 percent which is almost double, more than double in in 25 years.

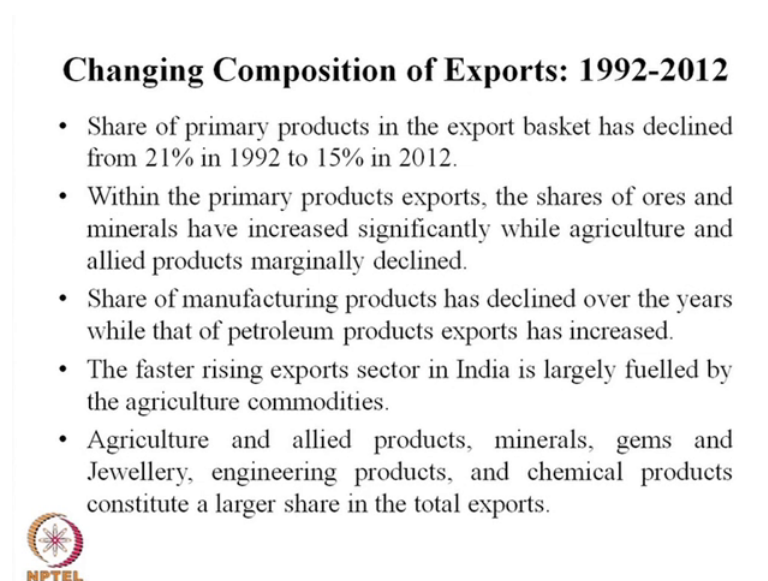
Textile readymade garment that are also almost remain stagnant. However, start declining after 2005 6 because it is primarily because of 2007 8 onward it has been declining. This is primarily, because of the world recession. Gem jewellery also constitute nearly 20 percent of our export revenue, it also increasing over the year. Handicraft sector handicraft sector has declining as a part of our export revenue, it has not contributed significantly, it was nearly 2 percent into 97, 87, 88 which has declined to almost nil almost 0.1 percent in 2011 12 and this is because of because lack of incentive for the handicraft sector and this was government of India should look into this activity why handicraft sector has not constitute a significant part of our export revenue.

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Manufacturing sector, if you see there is almost stagnant in or or declining trend of handicraft export, gems jewellery export though it was increasing because recently 2004 5 onwards declining, if you see the chemicals sector there has been increase in export revenue, export earning, but if you gems jewellery sector also same thing and this engineering export there has a increase in engineering export activity and engineering goods and services have constitute significant part of our manufacturing export and this has clearly indicate that our manufacturing base has increased over the last 10 years or 15 years and in a export exporter earning side.

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So, what are the composition in 92, 92, 90 after the economic liberalisation, the share of primary products has declining after the economic liberalisation in export side. Within the primary product export of ore in iron ores or minerals, other minerals has increased, agriculture allied activity almost stagnant in our export earning, share of manufacturing product has declined over the years while the petroleum product has export has increased.

The faster rising of export sector in India is largely fuelled by agriculture commodity, agriculture allied product, minerals, gems, jewellery, engineering goods and services has constituted significant part of our export revenue. These are the analysis last 25 years of data which given, which has been shown to you and this has a indicate that there has been significant change in our export composition and earning of and also within the export composition, there has been a significant change within the primary product, within the manufacturing sector, and this has a, this has given more value addition to our export side and export sector though developed after the economic liberalisation.

However, till the raw material side particularly the primary product constitute nearly 20 percent of our export sector and this has to be and need to be look into because we want more value addition side in in export revenue because value addition export only give good amount of revenue to Indian export side and because of this reason it is essentially essential that manufacturing sector and services sector export should be more in export basket rather than raw materials and minerals in the export basket.

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Direction of Exports

- Direction to exports indicates the destinations, countries and export partners.
- During the British rule major trade partners were British colonies.
- After independence hardly any change in the destination of exports were witnessed except Russia who was major partners for India's till economic reforms in 1991
- After economic reform in 1991, there has been gradual shift in the destination of India's exports.
- The changing destination of exports can be analysed in the following heads:
 - European Union
 - North America including USA
 - Latin America
 - Eastern Europe including Russia
 - Asia and Oceania
 - Developing countries of Asia
 - Developing Countries of Africa



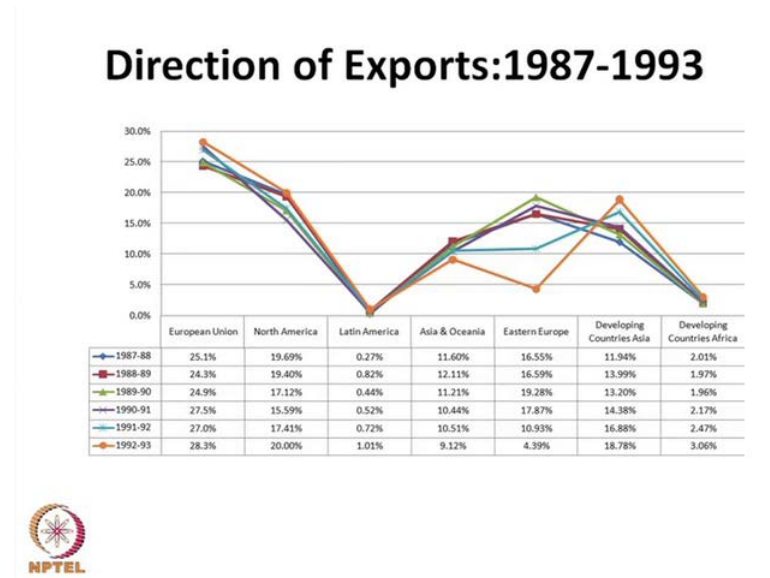
If you, these are the pattern of the export, but what are the direction of the export? Direction primarily we mean, a direction of export primarily we mean that destination of export, countries where you are exporting, the zones we are exporting the, which are, who are who are the partner of our export.

During the British rule, rules the major trade partners were British colonies. After the independence hardly any change in the destination of export, export has witnessed because same major shares of our revenue has come from European sector, European Union. Similarly, after economic reform there has been significant change in export composition, but whether there has been significant change in export destination that is we have to look into. While discussing about the export destination let us and divide the export destination into following parts.

The part like the what is called European Union export, North America including USA, Latin America, Eastern European, European Union, European sector particularly the Russia Russia side, the Asia and Oceania side, Asian country and the New Zealand and Australia side. Similarly, you should also take into account the country within the developing Asia particularly developing country of Asia and developing countries of Africa.

These are the different zones of export import we will discuss about, whether is our export direction or partner have change over the, changed over the year that we will shift in the pattern, part shift in the direction of export, export sector.

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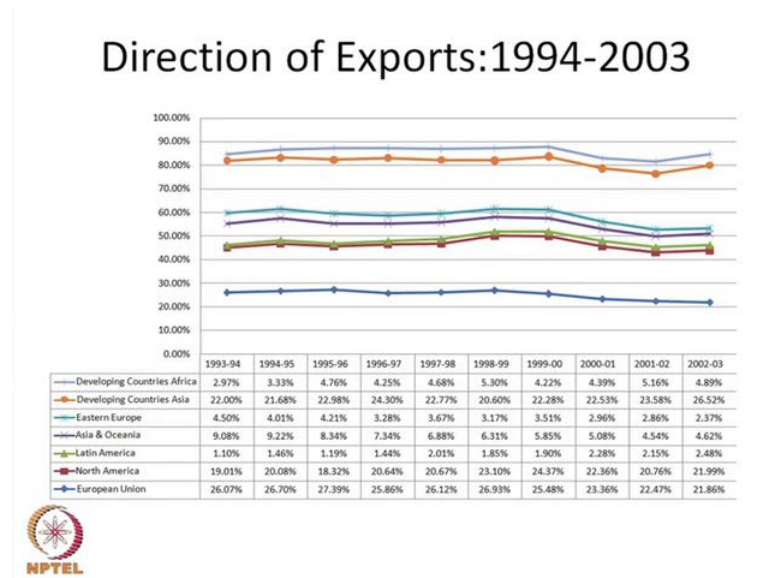


If you see 97 to 2000 93 the European Union if you see the graph here 1997 1987 to 1993 the European Union European Union where they were significant export partner they nearly 25 percent of export revenue are coming from the European Union sector. Similarly, North America and the Asia Oceania and Eastern Europe they constitute significant part of our export earning, within the Eastern Europe it was a Russia old Soviet Russia where the, where that country was a major trade partner for India and in 97 98 all these that is a European Union, the Latin America, European Union, the North America that is your USA, Asia and also Eastern Europe that is your Russia Soviet rows were the major trade partner of India.

If you see after the economic liberalisation that is 91 92 after that till European Union constitute the share of export has increased to European Union and also same thing to North America including USA. However, Asia Oceania region that our export has reduced. However, Eastern Europe also our export is reduced because Russia have no longer a trade partner for, no longer a significant trade partner for us at present. However, developing country in Asia has a more trade partner for India, their share has

increased in our export basket and developing country within Africa region also their share also increased after the economic liberalisation.

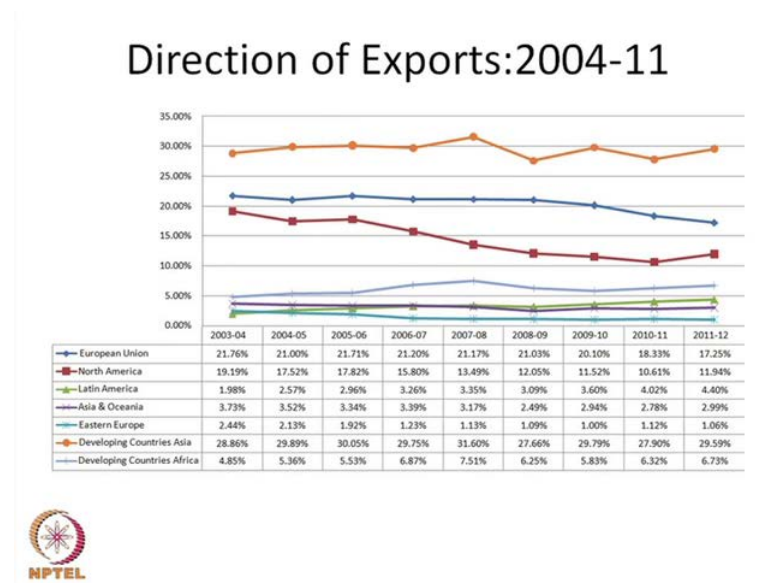
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So, if you see after the 94 to till 2003, after 94 to till 2003 that is if you see the changing pattern of changing direction of our export, the developing country developing country of Africa has increased our share has increased. Similarly, developing country within Asia our share has significantly increased, our goods and services are more export now being export exported to what is called developing country of Nepal, Bangladesh, Sri Lanka, Pakistan some part of the some part of the Malaysia, Indonesia our export they are major part of our export sector, Eastern Europe the share has reduced because no longer the Russia was the main major part of our Eastern Europe, there this, it is important as trade partner has declining over the year.

However, however, North America or where USA, Canada, Mexico were the part of that our trade has increased significantly. And European Union also, European Union particularly the 12 countries of Europe, the major country or 12 country of Europe they are now the major trade partner for India. So, the European Union, North America, developing country within Asia and developing country of Africa has become a more trade, direction of trade is more towards them, direction of export of from Indian India's side is more towards them and they are, they were, they are now the major partner of our trade side.

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And if you see last 10 years that is 2004 to 2011 7 years of data indicate that same pattern is holding now, same pattern is holding European Union our export is increasing, our major trade partner for India, North America also major trade partner for India. However, Asia developing Asia our trade has increased significantly because the North America and European Union there is a significant declining in trade, not significant, marginal declining in trade because of the economic recession in that country. However, the developing Asia developing Asia and developing Africa has become a more trade partner for India, but if you see, look at this percentage of export from India's side the 4 major partners are European Union, North America, Eastern that is developing Asia and developing Africa side.

However, we have not explored the developing Africa because our Africa is a unknown zone for trade so far now and we have to explore the trade link further to this country and potential of trade for export is quite high if you if you if you give more importance to the developing Asian country, a developing African country, however our trade with the developing country in Asia here increased significantly, it is almost 30 percent of our export revenue.

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Direction of Exports:1987-2011

Changing direction of India's exports indicates:

- Russia as a trade destination has been declined significantly.
- Developing Asia has become the major trade destination for India.
- European Union has been sharing about 25% of India's exports.
- North America including USA has been one of the major trade destination for India
- Share of Developing Africa has been increasing after liberalisation



So, this this indicates that till 97 to 2011 Russia as a trade destination has declined significantly. Developing Asia has become the major trade destination for India, European Union has been sharing nearly 25 percent of our export revenue, North America including USA has been one of the major trade destination for India, share of developing Africa has been increasing after liberalisation. However, we have not explored the Africa African country so far as a destination for import, there is a further scope is there to increase our export export revenue through developing African country.

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Imports Basket

- Crude Oil & and Products
- Cereals and Cereal Preparations, Edible Oils Pulses & Sugar
- Fertilisers
- Paper, Paper Boards, News Prints, Crude Rubber, Reclaimed Pulp and Waste Paper
- Metal & Ores, Metal Scrap, Iron and Steel
- Capital Goods, Machine Tools Machinery
- Electrical Machinery, Electronic Goods, Computer Hardwares
- Transport Equipment
- Pearls, Stones, Gold and Silver
- Scientific Instruments, Photographic Optical Goods
- Coal & Coke
- Medicinal and Pharmaceutical Products
- Chemical Materials and Products & Non-Metallic Mineral



So, however when you go from the export if you come to the import side the what are, which are the basket or basket of import if you see will be astonished because our basket of import is primarily more towards petroleum crude oil imports. Crude oil import constitute nearly 30 percent of our export of our import basket. So, crude oil and crude oil and their product, their 30 nearly 30 percent of our export import basket constituted by a crude oil, after the cereal, cereal preparation, edible oil, pulses, sugar, fertiliser these are the other sources of our import basket. Papers, papers, news print, crude rubber, reclaimed rubber pulp, waste paper these also part of our import basket.

Similarly, metals ore, metal scrap, iron and steel, capital goods, machine tools, machineries, electrical machinery, electronics goods, computer hardwares, transport equipment these are also our basket of import. The pearls, stones, gold, silver has become a major part of our basket of import for export orientation. Scientific instrument, photographic instrument, optical fibres, optical goods are also part of our export import basket. There is a coal, high grade coal, coke also for our steel industry. There steel industries are importing significant part of our coke and coal from Australia side these are major import of our county. Medicinal equipment, medicinal pharmaceutical product also part of our import basket.

Similarly, chemicals materials, chemical materials and product, non metallic minerals these are also part of our import. If you analyse all these part of import, significant part of our import is crude oil import, capital goods import and then electronics goods and services imports, gems, jewellery, gems and stone, gold, silver these are the primary side for a import basket. Let us discuss about the how the development of import has taken place recent years.

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Composition of Imports: 1992-2002

Year	Petroleum, Crude and Products	Cereals and Cereal Preparations	Edible Oils and Pulses	Non-Ferrous metal, scrap & Crude Rubber	Paper, pulp and News Print	Iron and Steel	Capital Goods	Electric and Electronic Machinery and Goods	Gold and Silver	Coal, Coke & Fertilisers
1992-93	27.9%	1.5%	0.8%	5.2%	1.5%	3.6%	20.7%	20.0%	0.0%	6.7%
1993-94	24.7%	0.4%	1.0%	4.4%	1.6%	3.4%	26.8%	26.0%	0.0%	5.6%
1994-95	20.7%	0.1%	1.4%	5.5%	1.6%	4.1%	26.7%	25.9%	2.5%	6.1%
1995-96	20.5%	0.1%	2.4%	5.3%	2.0%	3.9%	28.2%	27.4%	2.4%	7.1%
1996-97	25.6%	0.4%	2.7%	5.4%	1.9%	3.5%	25.4%	24.5%	2.5%	4.9%
1997-98	19.7%	0.7%	2.6%	4.4%	1.9%	3.4%	23.6%	22.8%	7.6%	5.6%
1998-99	15.1%	0.7%	4.7%	3.5%	1.7%	2.5%	23.7%	22.8%	12.0%	4.9%
1999-00	25.4%	0.4%	3.9%	3.2%	1.4%	1.9%	18.0%	17.2%	9.5%	4.8%
2000-01	31.0%	0.0%	2.8%	2.9%	1.5%	1.5%	17.7%	16.9%	9.2%	3.7%
2001-02	27.2%	0.0%	3.9%	3.8%	1.4%	1.6%	19.2%	18.4%	8.9%	3.5%



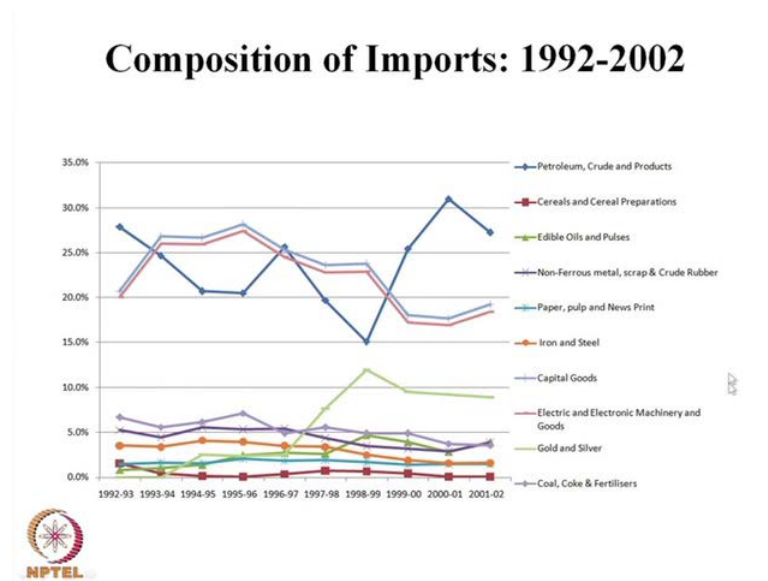
After the economic liberalisation significant part of our import since 97 90 1987 till now, 1992 till now it is the crude oil import. The crude oil import almost remains stagnant at 30 percent. The similarly, our cereals their consumption of consumption good import particularly the cereals, edible oil, pulses all these are part of our our import basket, this constitute nearly 5-7 percent of our import basket.

But non non ferrous metals also constitute nearly 5 percent of our import basket. Paper, pulp and news print item they also constitute nearly 2 percent of our export import basket. Iron, steel it was quite high earlier. Now, recently because of development of iron and steel industry in India after economic liberalisation, this import has declined over the year and this constitute nearly 2 percent of our export import basket. Capital good import though it also remains at the significant for import basket because this export oriented because we need our export industry needs capital goods import and because of this reason this constitute nearly 20-25 percent of our import basket. Electric equipment, machinery goods and goods are there and transport goods are there, transport equipments are there for our export sector for development of our economy. This also constitute nearly 20 percent 20 percent of our export import basket.

Gold and silver it was almost nil prior to reform, after reform gold liberalisation has taken place and gold import has been allowed and this gold and silver import though it was primarily for export reason, but recently has increased significantly and this is one of

the major reason for our major reason for our what is called current account deficit. The gold it is not because of our export reason first of all, domestic consumptions are increased and gold when India has been importing significant part of part of the gold. Now, coal, coke, fertiliser also constitute significant part of our import basket. Nearly, 6 seven percent of our import basket constituted by coal and coke, coal and coke, fertilisers are there.

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And over the year if you see in 92 last 10 years data that is 92 to 2002 that, the major part of our import is crude oil. Nearly, if you see this line, nearly 30 percent of our crude import basket is crude oil side and though it is declined, if declined in say in 92 98 99. However, recently it has increased significantly nearly 30 percent of our import basket constitute the, what is called the petroleum import, crude oil import.

After that it is that is called capital goods. Then non ferrous scrap metal, edibles oils, cereals and cereal composition, cereals preparation these are the major part of our import basket. However, there has been significant declining in recent year the import of what is called agriculture product. However, the there is significant increase import of non agriculture product and particularly the raw material side in the form of coke and coals, because iron and steel industry in India are recently developed they need more coal and coke and these high grade coke and coal not available in India, they are imported from

Australia, New Zealand some other country and this constitute significant part for our export import basket.

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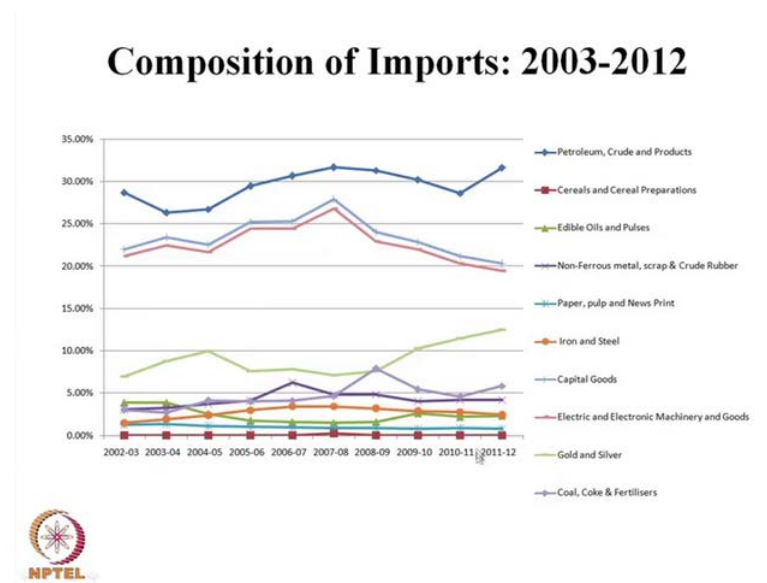
Composition of Imports: 2003-2012

Year	Petroleum, Crude and Products	Cereals and Cereal Preparations	Edible Oils and Pulses	Non-Ferrous metal, scrap & Crude Rubber	Paper, pulp and News Print	Iron and Steel	Capital Goods	Electric and Electronic Machinery and	Gold and Silver	Coal, Coke & Fertilisers
2002-03	28.72%	0.04%	3.86%	3.07%	1.29%	1.54%	21.98%	21.16%	6.98%	3.04%
2003-04	26.32%	0.02%	3.89%	3.23%	1.37%	1.93%	23.39%	22.51%	8.77%	2.73%
2004-05	26.76%	0.02%	2.57%	3.76%	1.09%	2.39%	22.54%	21.72%	10.00%	4.10%
2005-06	29.47%	0.02%	1.73%	4.12%	1.02%	3.07%	25.25%	24.44%	7.59%	4.02%
2006-07	30.66%	0.02%	1.60%	6.24%	0.99%	3.46%	25.34%	24.48%	7.89%	4.16%
2007-08	31.68%	0.28%	1.55%	4.85%	0.86%	3.46%	27.88%	26.82%	7.11%	4.70%
2008-09	31.35%	0.02%	1.61%	4.84%	0.86%	3.17%	24.04%	22.95%	7.62%	7.90%
2009-10	30.22%	0.02%	2.65%	4.06%	0.83%	2.86%	22.84%	22.01%	10.27%	5.48%
2010-11	28.86%	0.02%	2.20%	4.21%	0.88%	2.81%	21.24%	20.34%	11.49%	4.59%
2011-12	31.65%	0.01%	2.35%	4.25%	0.81%	2.45%	20.30%	19.43%	12.53%	5.91%



If you see 2003 to 2012 the, another 10 years of data, last 10 years of data. Similarly, the fluid petroleum, petroleum import, petroleum that is crude oil and petroleum remain almost 30 percent our import basket. After that, it was, it is our capital goods import nearly 20 percent of 20 percent of our basket of import, electrical, electricals and machinery, electronic goods machineries are there nearly 20 20 to 25 percent. After that it is gold and gold and silver which nearly 12 percent of our basket of import revenue, import of our import basket.

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So, composition has recent last 10 year data has changed significantly. That petroleum import has increased significantly last 2003 to 2012 side during the period and it is now more than 30 percent at present, and after that it is it is a capital good import, but capital good import has declined in 2007, 8; 2007, 8 primarily because of economic recession.

However, gold import has significantly increased after 2007 8 because 2007 8 capital market was declining and gold has become a domestic investment reason people have purchased gold, import of gold has increased significantly after 2007 8. It is constitute nearly 20 15 percent of our basket of importer import and this is a negative reason for a, negative reason and this is not required for our Indian context, precise able amount of foreign exchange is being used in import, for the import of gold and after the if you see other part of the import is primarily the edible oil, pulses, cereals these are the part of pulses not significant in Indian production side and edible oil, cereals are the major another part of our import basket and coal and coke also remain quite high after the economic liberalisation and many companies are importing the coal and coke, fertiliser for the domestic consumption.

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Composition of Imports

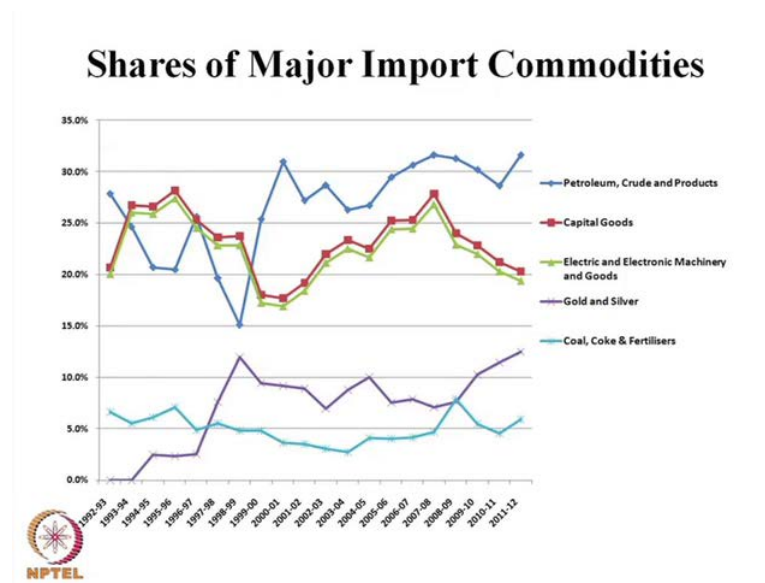
- Crude Oil & Products constitute highest share in the imports. The share is about 30% and has been increasing since 1993.
- Electrical and electronic equipments and computer hardware have been the second largest share. It is around 20% of imports basket.
- Capital goods is the third largest share in the India's imports basket. It was around 20% since 1993 and remained stagnant.
- Recent years, consumption goods like edible oils, cereals and Cereal Preparations, Pulses & Sugar have become the major shares of imports basket.
- Iron & steel, high grade coal and coke and fertiliser have become major shares of imports basket.
- Because of economic liberalisation the share of silver and gold have been increasing since 1993.



So, what are the change in consumption pattern, consumption or composition of the import basket? If you see the crude oil, crude oil and product constitute the highest share in our import basket particularly. The share of share of crude oil is 30 percent of our import basket since 92 93 onwards, electric and electronic equipment, computer hardware have been the second largest share it is it is around 20 percent of our import basket, capital goods is the third largest in the import, India's import basket, it constitute nearly 20 percent of our import basket.

Recent year consumption goods like edible oils, cereals, cereals preparation, pulses, sugar have become major part of our, major shares of import basket. Iron, steel, iron and steel, high grade coal, coke, fertiliser have become major shares of import basket and because of economic liberalisation share of silver, gold has been increasing as a as a source of investment and it has become a major share in our export import basket.

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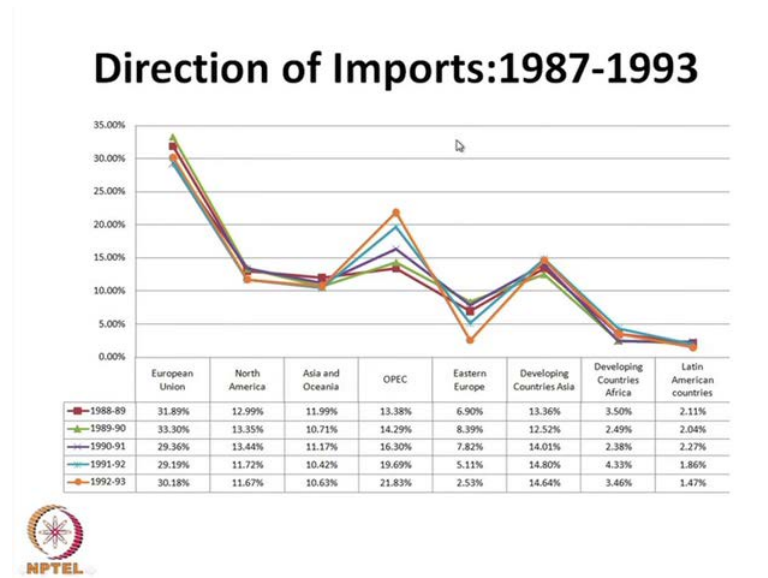
And there is significant change in the composition of our import basket also. If you see the major part of our import basket is five things that are called petroleum, petrol, crude oil import, capital goods, electrical electric and electronic machinery goods, gold, silver, coke and fertiliser, coke, coal and fertiliser these are the major shares of our import basket and all these are constituted more than 20 percent of our import, nearly 20 percent, more than 20 percent of our import basket and over the year if you see the petroleum export, petroleum import has increased significantly.

Similarly, also the capital goods import fluctuating over the year the gold and silver, it was quite low up to 97, 98 has increased significantly it constitute nearly 15 nearly 12 to 14 percent of our import basket. After that coke and coal because of liberalisation and development of development of what is called iron and steel industry, the demand of coke and coal has increased significantly. And after that it is a what is called the blue line, the green line is a electric and electronic export electronic goods and goods, machinery goods are there and these export also has, in this import also be there a significantly in our import basket.

With all these five items constitute more than 20 percent of our, nearly 20 percent of our import basket and all these four five items constitute 90 percent of our import basket. Import basket among them, the more nearly 30 to 33 percent of import basket constitute what is called the petroleum import which is inelastic in nature and quite essential for the

survival of the country and this is because of this reason a significant part of our export earning is being spent, is being spent in import of petroleum and crude oil and petrols.

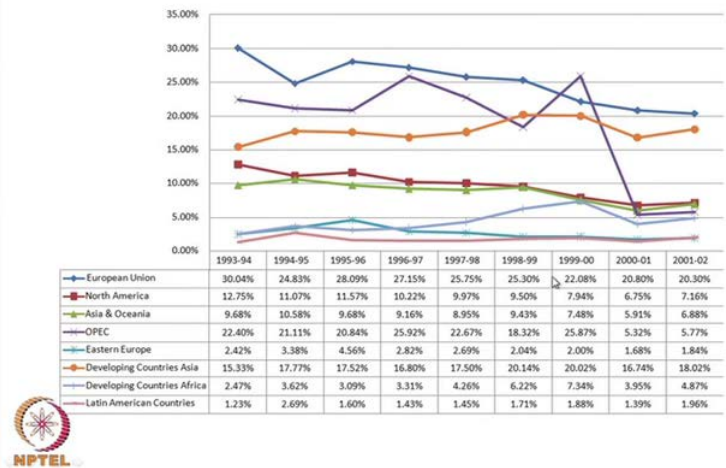
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And direction of import which are the partners of our import If you analyze the direction of import mainly the European Union up to 92 93 European Union constitute nearly 30 percent of our import after that, it was North America and US side then Asia Oceania side also constitute nearly 10 10 to 11 percent of our import and OPEC country constitute, their share has been increasing because all our petrols, crude oil imports are coming from OPEC country. Their shares has been increasing over the year and it was 90 90 88 89 it was 13 percent when 92 93 increased to 21 percent. Nearly, 22 percent after that a developing Asian is Asia country has a major shares of our import.

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Direction of Imports:1994-2003

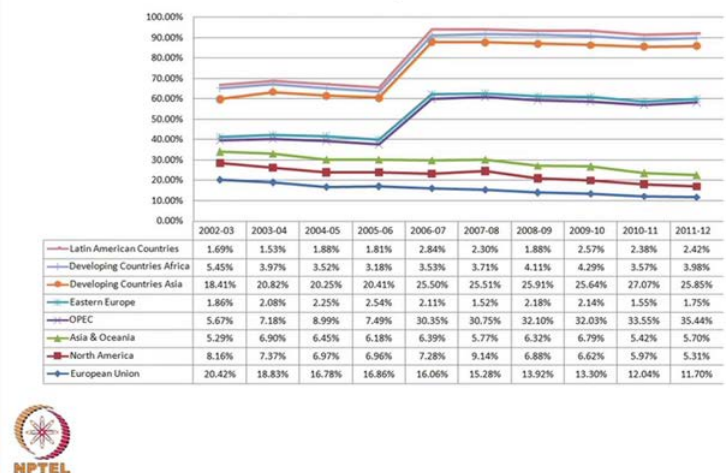


If you see last 94 to 2003 94 to 2003 the European Union European Union constitute their share in our import basket has declining and is nearly it was 10 30 percent in 93 94 declined to some nearly 20 percent in 2011 2003, but however OPEC country share also declining because India has changed their import basket of crude oil to from other country because of this reason, some extent there has been change in the import basket.

However, North America, Asian Oceania, developing country within Asia, developing country within Africa and Latin American country, their share in our import basket has been increasing in increasing over the years

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Direction of Imports:2004-11

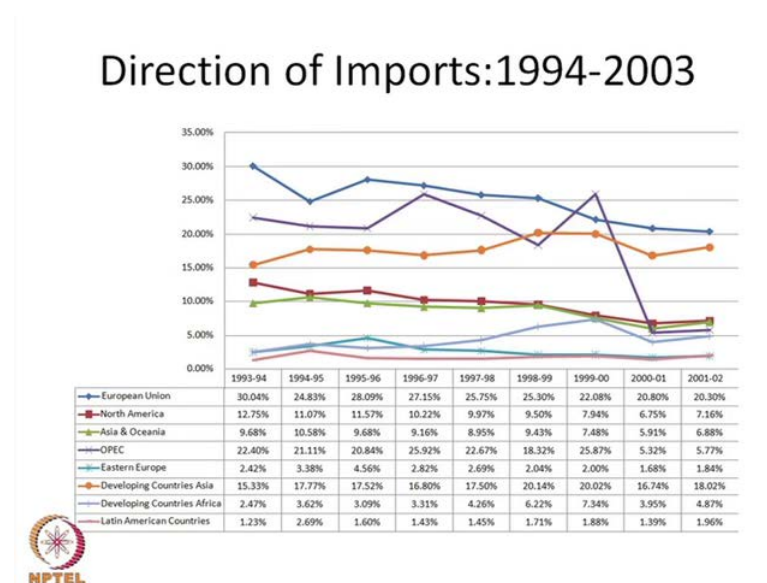


In a last 10 years that is 2004 2011 7 8 years data is given to you. If you see the OPEC country export has increased significantly, it was declining till 93 2005 6 after that it has increased from 2006 7 onwards till 30 nearly 35, 35 percent of our export import basket constitute the OPEC country. This is primarily petrol and crude oil.

After that it was developing country, after that it is North America that is that is North America primarily the Asian, Northern, North America primarily that US side their capital goods imports are there, European country, European Union also constitute nearly 20 15 to 20 percent of our import basket. After that the developing Asia also constitute nearly 4 to 5 percent of our import basket, Eastern European side their trade part is declining. However, developing Africa side we have also nearly 5 percent of our import basket constitute the developing African country and however the significant for the import is coming from the OPEC side and the petroleum import 30 30 to 35 percent of our import basket constitute a OPEC country.

So, this has this has indicate there, our import destination is tilted toward OPEC country, is tilted to toward imports of crude oil and our import other than crude oil is not so significant except capital goods import and imports of electric, electronic machinery and for export reason some extent golds and silvers are there. Import is inelastic in nature, the inelastic import is primarily crude oil import which is affecting the our import basket.

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And these are the some of the import item discussion about the import and export sector and import export is if you analyse the import export sector our, there has been significant change after the economic liberalisation, both import basket has changed export basket has changed, destination of import, destination export has changed, however, where India has not immune itself from the import of the crude oil side and the OPEC country has constitute nearly 30, 35 percent of our import basket.

They have the bargaining power and influencing our import sector. Our export sector though there has been significant change in the composition of export composition of export the value added export has not increased significantly as compared to other country. Similarly, the destination of export has changed very recently European Union, the Latin Asian, as developing country Asia and the North America that is USA has become significant part of our trade partner, particularly the export side. And with this let me conclude this here with the references here.

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References

- **International Economics: Theory and Policy (6th Edition)**, [Paul R. Krugman](#) & [Maurice Obstfeld](#)
Addison Wesley; 6 edition
- Hand Book on India's Statistic, RBI
- Export-Import Policy Document, GoI



The references are you can go through the reference of International Economic Theory, International Economic Theory and policy Paul Krugman and Maurice Obstfeld we can go through the hand book and see the international economic aspect, particular the theory of theory of import export side and go through that and to analyse the export import basket for Indian context you can you can look into the handbook of statistics on Indian economy published by RBI for various, it is online also. Data's are available there, you

can go through the data and try to try to understand the changing composition of our export import, changing direction of our export import.

You can go through the export import policy of documents of government of India, this also indicate the policy changes in export import over the year. This available in the government of India website that is either in exim bank that is export import website of director general of foreign trade, their website is available. You can go through the various policy, exim policy over the year and how the export import policy has has has given a new trend to our export import, how it has changed our export import basket, how it has change our direction and direction of export import over the year, what are the, what is called, what are the benefits, what are the advantages, what are the policy changes the government of India has undertaken for the liberalisation of export import side.

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Model Questions

- Outlines major components of India's trade basket. Bring out the changing pattern of India's exports.
- Which are the major destinations of India's exports and imports ? Are there any shift in the export destination after the economic liberalization.



For the question answer you can go through the model question. Outline two questions for you, one question is for in the area of what is called outline the major component of India's trade basket. Here you should discuss the trade basket, outline the major component of India's trade basket, you have to, trade basket means your export import basket, you see the what are the major component of India's export, what are the major component of India's export and also bring out the changing pattern of Indian export

over the year, how the export basket have changed, how the, how the commodity of export has change over the year.

Similarly, you have to also outline the, what are the commodity in import side, how it has changed over the year we will outline there, which are the second question will be, which are the major destination of India's export and imports, are there any shift in the export destination after the economic liberalisation. Here you have to discuss about the destination country or the partner of our export import. You have to finalise, you have to analyse the export side which are the major partner for India, in the import side which are the major partner for India.

Then over the year since 92 93 economic liberalisation whether there is change in our export import partner, whether there is a shift in the direction of export import, that also you have to analyse that. You download the data from the India from RBI site and see how the export import basket has changed, how the direction of export import change over the year, on that basis you can you can answer that question of destination of export import and the component of changing component of export import over the year.

Thank you.