



INTERNATIONAL TRADE OF INDIA: EVOLUTION FROM 1950 TO 2022

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Abstract

The paper examines the development and present situation of India's foreign trade, highlighting the major patterns, obstacles, and possibilities that influence the country's economic relations with the rest of the globe. This study offers a thorough overview of India's foreign trading environment by looking at the country's import and export trends, the function of trade agreements, government policies, and global market dynamics. The article outlines the key industries influencing trade, India's difficulties, and potential avenues for improving trade relations in the future. The article clarifies India's ability to improve its standing in international trade in the upcoming years through this study.

Keywords: *International Trade, government policies, economic reforms*

1. Introduction

International commerce has been essential to India's economic growth, which has made it one of the world's greatest economies. India's economy, which ranks fifth in the world by nominal GDP, has seen significant expansion in the last several decades. India has become a major player in international trade thanks to its sizable domestic market, advantageous geographic location, and growing integration into global supply networks. This study looks at India's foreign commerce as it stands today, emphasising important trends, the difficulties the nation faces in this area, and the chances it has to improve its standing internationally.

2. Background and Evolution of International Trade

India's colonial heritage, economic policies, and worldwide economic shifts have all had an impact on its international commerce in the past. India's trade during British colonial control was mostly concentrated on the importation of completed items and the export of raw materials. India implemented a protectionist economic strategy to promote self-reliance following its independence in 1947. A major change was brought about by India's economic liberalisation in 1991, which reduced trade restrictions and promoted foreign direct investment (FDI). International commerce is a key factor in economic

growth since the liberalisation policies accelerated the expansion of the manufacturing and services industries.

3. Objectives

The primary objective if this research paper are as follows:

1. To examine the development of India's global commerce between 1950 and 2022, with an emphasis on significant junctures such as the post-independence era, the 1990s economic liberalisation, and the more recent developments in trade diversification.
2. To assess the effects of India's trade policies across time, including the economic reforms of the 1990s, the protectionist measures of the 1950s and 1960s, and the trade liberalisation efforts of the 21st century.
3. To evaluate India's import and export patterns over the years, highlighting the industries—such as information technology, textiles, medicines, and agriculture that have contributed to the country's trade expansion.
4. To investigate the trade imbalances, reliance on energy imports, and infrastructure limitations that India faces in international commerce.
5. To identify opportunities for India to enhance its global trade position by diversifying markets, promoting value-added exports, and leveraging emerging sectors such as digital trade and green energy.

4. Methodology

The qualitative methodology used in this study is bolstered by secondary data analysis. The study evaluates the development of India's international trade between 1950 and 2022 using a combination of historical trade statistics, government papers, policy documents, and academic articles.

5. Post-Independence Trade (1950-1970s)

India established an economic self-reliance policy after gaining independence in 1947, which had an impact on its trade policies. In order to lessen reliance on imported commodities by encouraging home manufacture, the Indian government gave import substitution industrialisation (ISI) top priority. The following characteristics defined India's commerce during this time:

Protectionist Policies

To shield emerging sectors from international competition, the Indian government imposed high tariffs and import restrictions. The goal was to create an economy that could support itself with little help from outside trade.

Soviet Bloc Trading

India developed close trading ties with the Soviet Union and other socialist nations, sending agricultural items like tea, jute, and spices while purchasing capital goods and machinery. During this time, India sided with the Soviet bloc in the Cold War.

Exports

India's main exports were agricultural products, such as cotton, tea, and coffee, as well as raw materials like jute. Industrial products were not exported in large quantities and were comparatively underdeveloped.

6. The Green Revolution and Export Expansion (1970s-1980s)

Gradual economic shifts during the 1970s and 1980s had an effect on India's foreign trade:

The Green Revolution:

During the late 1960s and early 1970s, agricultural productivity significantly increased, especially for rice and wheat. As a result, India went from having a food deficit to having a food surplus, which helped to increase agricultural product exports.

Export Commodity Diversification:

Although agricultural products remained the mainstay, India started exporting certain manufactured items, especially textiles, which by the 1980s had grown to be one of its main export industries.

Import Dependency

India continued to be highly reliant on imports, especially for technology, capital goods, and petroleum, notwithstanding its advancements in industry and agriculture. The rising demand for imports was reflected in India's trade deficit, which kept expanding.

7. Economic Globalisation and Liberalisation (1991–present)

India's balance of payments problem in 1991 marked a significant turning point in the nation's foreign commerce. India responded by implementing extensive economic changes that allowed the country to access the world market:

Economic Reforms 1991

India implemented a number of reforms under Prime Minister Narasimha Rao and Finance Minister Manmohan Singh, including:

- **Trade liberalisation**

To promote free trade, the government eliminated import quotas and lowered taxes.

- **Rupee devaluation**

In order to increase the competitiveness of Indian exports on the international market, the rupee was depreciated.

- **FDI Policies**

Foreign Direct Investment (FDI) policies that promoted FDI resulted in a rise in foreign investment in industries such as manufacturing, technology, and services.

Export Growth

India's exports increased significantly as a result of these changes, especially in industries like IT, textiles, and pharmaceuticals. In the 1990s and 2000s, the IT sector was a major contributor to the nation's rise as one of the top exporters of software services worldwide.

Change in Export Composition

By the early 2000s, software and business process outsourcing (BPO) had taken centre stage in India's export mix. While services experienced exponential expansion, traditional exports such as tea, textiles, and engineering goods continued to expand.

Trade Agreements and FTAs

In an effort to expand market access and fortify economic relations, India started to sign Free Trade Agreements (FTAs) with nations and regions such as ASEAN, Japan, South Korea, and the United Arab Emirates.

8. India's Trade in the 2000s and 2010s

In the 2000s and 2010s, India's international trade became more diversified and robust:

Trade Partner Expansion:

The United States, China, the European Union, and the United Arab Emirates became important trading partners as India's export markets grew. Trade with China increased quickly, but it also led to a trade imbalance.

Sectoral Shifts

In the 2000s and 2010s, India's exports were largely driven by industries including chemicals, engineering goods, and autos. Additionally, India emerged as a significant force in the global pharmaceutical market by exporting generic medications all over the world.

Export Dominance of Services

The service industry, particularly software and IT services, has been expanding, and India is now the global leader in offshore IT services. Over 50% of India's overall exports in 2019 were services (IBEF, 2020).

Trade Deficits and Imports

India's imports, particularly those of electronics, gold, and crude oil, increased in tandem with its exports. Oil imports and electronic goods were the main drivers of the trade deficit, which continued to grow and peaked in 2020–21 at \$155 billion (Ministry of Commerce and Industry, 2021).

9. India's Trade with India in 2020–2022

The worldwide COVID-19 epidemic, changing geopolitical conditions, and an emphasis on independence have all influenced India's trade in the 2020s.

Impact of COVID-19

India demonstrated resiliency by expanding its export base despite the pandemic's severe disruption of international trade. The pharmaceutical industry prospered in the face of worldwide shortages, but the IT sector continued to flourish as a result of rising demand for digital services.

Pay attention to Atmanirbhar Bharat

In an effort to lessen dependency on imports, particularly in industries like electronics, defence, and medical supplies, Prime Minister Narendra Modi started the "Atmanirbhar Bharat" (Self-Reliant India) campaign in 2020.

Trade Performance in 2022

India's total merchandise imports and exports in 2022 were \$660 billion and \$422 billion, respectively. India's exports increased, propelled by industries including chemicals, engineering goods, and petroleum products, despite the country's ongoing trade deficits (Ministry of Commerce and Industry, 2022).

10. Challenges Facing India's International Trade

Despite India's growing role in global trade, several challenges remain that hinder its ability to fully capitalize on international opportunities:

- **Trade Deficits:** India continues to run a trade deficit, mainly due to high oil imports, which negatively affects the country's current account balance.
- **Infrastructure and Logistics:** Inadequate infrastructure and logistical inefficiencies increase the cost of doing business and hinder the timely delivery of goods and services.
- **Bureaucratic Hurdles:** Regulatory barriers and bureaucratic delays pose challenges for businesses, especially small and medium-sized enterprises (SMEs), in accessing global markets.
- **Global Competition:** India faces increasing competition from other emerging economies, particularly China, which has a more advanced manufacturing base and better trade agreements.

11. Opportunities for Enhancing India's Trade

While India faces various challenges, several opportunities exist to bolster its international trade. India can further diversify its export markets to reduce dependence on traditional trading partners and explore untapped regions such as Africa and Latin America. The rise of digital platforms and e-commerce presents new avenues for India to expand its service exports, particularly in IT, education, and entertainment sectors. India has the opportunity to enhance trade with neighbouring countries in South Asia, which could contribute to regional economic stability and growth. By shifting from raw material exports to more value-added products, India can increase its export value and reduce its dependency on primary goods.

Conclusion

India's international trade landscape has undergone significant transformation over the last few decades, driven by economic liberalization and globalization. Despite challenges such as trade deficits and infrastructure bottlenecks, India continues to be a key player in global trade. By focusing on diversification, digital trade, and value-added products, India can position itself for sustained growth

and enhanced participation in the global economy. With the right policies and strategic international partnerships, India has the potential to become a leading global trading hub.

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