CHAPTER - III
DIRECTION OF FOREIGN TRADE
DIRECTION OF FOREIGN TRADE

The direction of Indian foreign trade studies the destination/source of exports and imports of a country. From 1997-98 to 2001-2002 the exports and the imports of India have undergone a change because of many factors.


1997-98

During the nineties, the Indian exports witnessed a declining trend as regards their movement towards East Europe and Japan. This distinct downturn in the share of East Europe was especially due to the disintegration of the USSR. As per the Economic Survey (1997-98) the share of Eastern Europe from 17.9 percent (1990-91) fell down to 4.4 percent (1992-93). By 1996-97 the share of the East Europe further went down to 2.9 percent. Similarly the share of Japan Indian exports declined from 9.3 percent (1990-91) to 6 percent (1996-97). However there was a corresponding increase in the Asia’s share from 14.3 percent in 1990-91 to 22.7 percent in 1996-97.

The period of 1996-97 reflected a sluggish demand in Western Europe (and Japan) and a strong growth in U.S.A. The destination of Indian exports witnessed a change when they received a marginal decline in the share of a European union and an increase in the share of the USA. From April-January (1997-98) there was a little change in USA’s share as 19.5 percent of the Indian exports moved towards it.

The share of L. D. C.s increased to 28 percent during April-May and early 1997-98 while the share of East Asia declined marginally to 14.2 percent in 1997-98.

As regards the sources of Indian imports, the share of OECD countries (including United States, EC and Japan) declined to 49.2 percent in 1996-97 from 52.4 percent in 1995-96. The decline was offset by the increase in share of the OPEC. While the share of the OECD Countries (with the exception of Japan), improved during April-January, 1997-98 that of OPEC, Russia and other LDC’s declined as compared to the corresponding period in
dollars was seen in the Indian exports to USA. The second major destination of the Indian exports was UK in 1997-98. It claimed a share of 6.12% of the total in Indian exports made in 1997-98. The exports to UK moved up from 2048.64 million U.S. dollars (1996-97) to 2143.29 Million U.S. dollars (1997-98). This signified a change of 94.65 million U.S. dollars. Hong Kong was the third major destination of the Indian exports as it claimed 5.52% of the total in exports made in 1997-98. Rising above from 1864.17 million U.S. dollars (1996-97) it reached to 1934.22 million U.S. dollars (1997-98). This signified a positive change of 70.05 million U.S. dollars. Germany was the next major destination of the Indian exports. It claimed a share of 5.5 percent in the total Indian exports made in the year 1997-98. Rising above from 1894.66 million U.S. dollars (1996-97) it moved to 21927.62 million U.S. dollars in the year 1997-98. This signified a change of 32.96 million U.S. dollars. Yet another major destination of the Indian exports was UAE. It claimed a share of 4.83 percent in the total Indian exports made in the year 1997-98. The exports made to UAE showed a positive change of 217.23 million U.S. dollars between 1996-97 and 1997-98. The following Figure 3-A diagrammatically displays the changes in the direction of Indian exports made to major destinations around the globe.

In 1997-98, a change was also observed in India’s major sources of imports. An overall rise of 2369.1 million U.S. dollars was seen between the period 1997-98 and 1996-97. USA was found to have the major share in the Indian imports. It was carrying a share of 8.96% of the total Indian imports made in the year 1997-98. As compared to the previous year 1996-97 the imports made from USA in 1997-98 rose by 32.36 million U.S. dollars. Belgium was the next major import source for India in the year 1997-98. It accounted for 6.43% of the total Indian imports made in the year 1997-98. The imports made from Belgium went up by 417.75 million U.S. dollars. The overall imports made from the country were 2671.34 million U.S. dollars in the year 1997-98. Switzerland was the third major import destination of the country. It accounted for 6.36 percent share of the Indian imports in the year 1997-98. The imports made from Switzerland moved up by 1515.37 million U.S. dollars between the period 1996-97 and 1997-98. Germany happened to be the next major import source for India by occupying a share of 6.1 percent in the year 1997-98. The imports from Germany fell down by 301.58 million U.S. dollars between the period 1996-97 and 1997-98. Next in line was UK which happened to be another major import source for
India. It occupied a share of 5.89% in the total Indian imports made in the year 1997-98. The country recorded a positive change of 310.03 million U.S. dollars between the period 1996-97 and 1997-98. Japan was yet another major import source for India. However, the imports from Japan fell down from 2189.29 million U.S. dollars (1996-97) to 2147.49 million U.S. dollars (1997-98). It recorded a negative change of 41.8 million U.S. dollars in the year 1997-98. The following Figure3-B displays the changes that took place in India's major import sources:

1998-99

As per the Economic Survey 1998-99 the OECD region (including USA, EU, and Japan), Asia and Latin America were the main destinations of our exports. In the year 1997-98, as a group, the OECD countries maintained their share in the total Indian exports. However the share of advanced industrial economies declined due to depressed demand in Western Europe and Japan. The Indian exports in the year 1998-99 to USA recovered well but the exports to Asia declined as the share of the east Asian countries came down 16% (1996-97) to 10.6 percent in the first eight months of 1998-99.

The CMIE Report (Foreign trade and balance of payments, October, 2002) Reports the following picture as regards the Indian exports in the year 1998-99.

From the Table3.3, it can be seen that there was an overall fall in the total exports made between 1997-98 and 1998-99. The exports went down by 1837.7 million U.S. dollars in 1998-99. USA happens to be the major export destination for India accounting for 21.67 percent share in the total Indian exports made during 1998-99. The exports to USA showed a positive change of 388.59 million U.S. dollars in the year 1998-99. They moved up from 6809.44 (1997-98) to 7198.03 (1998-99) million U.S. dollars. Hong Kong happened to be the next major destination for Indian exports as it accounted for 5.66 percent share in the total Indian exports. However the imports to Hong Kong fell from 1934.22 (1997-98) to 1880.18 (1998-99) million U.S. dollars, thus showing a negative change of 54.04 million U.S. dollars in 1998-99. UAE was another major Indian exports destination. It occupied a share of 5.62 percent in the total in Indian exports made in the year 1998-99. The share of the UAE moved up from 1694.48 (1997-98) to 1867.17 (1998-99). Exports made to UAE displayed a positive change of 172.69 million U.S. dollars. UK happened to be another major
shareholder in the Indian exports. It occupied a share of 5.59% in the total Indian exports made in the year 1998-99. The exports made UK however fell down from 2143.29 million U.S. dollars (1997-98) to 1854.98 million U.S. dollars (1998-99) signifying a downfall of 288.31 million U.S. dollars in the year 1998-99. Germany was yet another major export destination for the Indian exports. It claimed a share of 5.58 percent in the total Indian exports made during the year 1998-99. Like UK, Indian exports to Germany also came down from 1927.62 million U.S. dollars (1997-98) to 1851.59 million U.S. dollars (1998-99). The exports from India to Germany, thus, came down by 76.03 million U.S. dollars in the year 1998-99. The following Figure 3-C depicts the change in India's destination of exports as regards the major countries:

Source: Table 3.3

The Indian imports made during the year 1998-99 were well above the figure of imports made during the year 1997-98. From 41534.56 million U.S. dollars in the year 1997-98 the imports made by India reached a level of 42379.2 million U.S. dollar in the year 1998-99. A total positive change of 844.64 million U.S. dollars, thus, was seen. USA again was a major source of Indian imports during the year 1998-99. It claimed a share of 8.59 percent in total imports made by India. However value wise the imports from the USA declined by 81.99 millions U.S. dollars between the period 1997-98 and 1998-99. Switzerland by claiming a share of 6.94% in the total Indian imports made during the year 1998-99 acted as the second major source of Indian imports. The imports from Switzerland moved up by 298.07 million U.S. dollars in the year 1998-99. Belgium was another source of Indian imports. It claimed a share of 6.79 percent in the total Indian imports made during the year 1998-99. The imports from UK moved 174.26 million U.S. dollars in 1998-99. UK claimed a share of 6.18% in the total imports made during the year 1998-99. Next in line was Japan, which claimed a share 5.82 percent in the total Indian imports made during the year 1998-99. Imports from Japan moved up by 317.68 million U.S. dollars during the period 1997-98 and 1998-99. The imports from Germany claimed our share of 5.05 % in the total Indian imports made during the year 1998-99. Table 3.4 and Figure 3-D display the major sources of Indian imports for the year 1998-99.
The Table 3.6 above shows the major import sources for India during 1999-2000. The total country’s imports increased by 7419.44 million US dollars in the year 1999-2000 from the year 1998-99. The major source of import was USA which supplied 7.17% of the total value of imports made by the country in the year 1999-2000. There was however a fall in the total imports made from USA. The imports fell from 3639.37 million US dollars from 1998-99 to 3568.3 million US dollars in 1999-2000. Imports were also sourced from UK which supplied 5.48% of the total value of imports made by India during 1999-2000. The value of imports from UK grew by 97.22 million US dollars in 1999-2000 from the previous year. Switzerland sourced the Indian importers to the tune of 2603.15 million US dollars in the year 1999-2000. It had a share of 5.23% in the total value of imports made in the year 1999-2000.

1999-2000

In 1999-2000 the broad trend of exports continued. However the trend of declining exports to the Asian region was reversed somewhat with the growth of 21.1 percent (in U.S. dollar value) during April-November, 1999. As per the Economic Survey 1999-2,000, the exports during this period increased to by 90.8 percent to Indonesia, by 62.4 percent to South Korea, by 43.7 percent to Malaysia, by 36.3 percent to Singapore, by 32.1% to Thailand and by 27.6 percent to Hong Kong. This shows that the share of selected East Asian countries in the Indian exports rebounded to 12.7 percent in the first eight months of the financial year 1999-2,000 as against 10.9 percent during April-November, 1998.
From the above table 3.5 it can be observed that USA by claiming a share of 22.83 percent in the total Indian exports made during the year 1999-2000 stood as the foremost export destination for India. The exports to USA increased from 7198.03 million U.S. dollars in 1998-99 to 8393.85 million U.S. dollars bringing a growth of 1195.82 million U.S. dollars. Hong Kong was another major export destination for the Indian exports. In 1999-2000 6.7 percent of the Indian exports were directed to Hong Kong. The exports to Hong Kong showed an increase of 613.38 million U.S. dollars between 1998-99 and 1999-2000. UAE was another major export destination for the Indian exports. It claimed a share of 5.66 percent in the total Indian exports made during the year 1999-2000. The exports to UAE


The trends in the imports have broadly continued in the same way as they existed in the previous year. During the first eight months in the year 1999-2000 the share of OECD region declined further to 44.9% and that of the developing countries rose further to 23.2%. With the recovery of the international crude oil prices, the imports from the OPEC region increased by 44.6% during April-November 1999, thus, significantly increasing share of imports from the region to 24.5%.
Reference: CMIE (Foreign Trade & Balance Of Payments) October, 2002

As per the CMIE Report (foreign trade and balance of payments) October 2002 the Indian imports increased by 7419.44 million U.S. dollars between the period 1998-99 and 1999-2000. Belgium was the major source of imports made by India. It sourced 7.4 percent of the total value of Indian imports made in the year 1999-2000. The imports from Belgium increased from 2876.15 million U.S. dollars (1998-99) to 3685.3 million U.S. dollars (1999-2000) bringing a change of 809.61 million U.S. dollars. USA was the next major source of Indian imports. It sourced 7.17 percent of the total value of Indian imports. The imports made by India from USA, however, declined from 3639.37 million U.S. dollars (1998-99) to 3568.3 million U.S. dollars (1999-2000). This decline was of 71.07 million U.S. dollars. U. K. was sourcing 5.46 percent of the total value of Indian imports in the year 1999-2000. The imports from UK increased from 2620.77 million U.S. dollars (1998-99) to 2717.99 million U.S. dollars (1999-2000). This signified a positive change of 97.22 million U.S. dollars. Switzerland was the next major import source for India. It claimed our share of 5.23 percent of the total Indian imports made in the year 1999-2000. The imports from this country however decreased from 2941.71 million U.S. dollars (1998-99) to 2603.15 million U.S. dollars in the year 1999-2000. Japan was another major import source for India. It sourced 5.1 percent of the total value of Indian imports made in the year 1999-2000. The imports from this country increased from 2465.17 million U.S. dollars (1998-99) to 2538.89 million U.S. dollars (1999-2000). Thus a change of 73.72 million U.S. dollars was seen in the total value of imports made from Japan. The following Figure 3-F presents the picture of the changes seen in the major imports sources of India for the year 1999-2000.

2000-2001

As per the Economic Survey 2000-2001, the export performance in the first seven months of 2000-2001 had improved to the OECD and OPEC regions and to other developing countries (other than OPEC) with exports to these regions rising by 15%, 24.6% and 21.9% respectively. Export growth to the East European region, however,
declined by 4% in the said period. The share in total exports, thus, amounted to 55.6% for OECD, 10.5% for OPEC, and 25.2% for other developing countries during April-October 2000. The share of Eastern Europe, however, declined to 2.5%. The share of other developing countries from Asia and Africa were maintained at around 20% and 3.2% respectively during the said period. The export growth to selected East Asian countries went down to 17.8% during the first seven months of 2000.

As per the Economic Survey 2000-2001, the trend of rising imports from the East Asian countries was reversed in the year 2000-2001. The share of the selected East Asian countries in the total imports made by India declined to 12.1% due to decline in imports from these countries by 13.4 percent during April-October, 2000. The decline in the imports were also seen in the OECD, Eastern Europe and other developing countries of Africa, Asia and Latin America and Caribbean regions. The trends in the imports suggest that the sourcing of oil was shifted away from the OPEC region in the year 2000-2001.
Reference: CMIE (Foreign Trade & Balance Of Payments) October, 2002

The Table 3.7 given above speaks of the changes witnessed in the India's destination of exports in the year 2,000-2,001. In all a positive change of 7387.92 million U.S. dollars was seen in the exports made by India. USA occupied the largest share in the Indian exports as it claimed a share of 20.96 percent in the total value of exports made by India in the year 2,000-2,001. The exports to USA moved up by 857.7 million U.S. dollars. Earlier in 1999-2,000 exports to USA made by India were to the tune of 8393.85 U.S. million dollars. These moved up to 9251.55 million U.S. dollars in the year 2,000-2,001. As per the CMIE report (2,002) Hong Kong happened to be then next major destination for Indian exports. Of the total value of exports made by India in the year 2000-2001, 5.97 percent were made to Hong Kong. Earlier in 1999-2,000 2493.56 million U.S. dollars worth of exports were made to Hong Kong. This value of exports moved up by 142.04 million U.S. dollars and reached to 2635.6 million U.S. dollars in the year 2,000-2,001. UAE was the next major export destination for India. Of the total value of exports made in the year 2,000-2,001 by India UAE accounted for 5.86 percent. Exports worth 2586.26 million U.S. dollars were made from India to UAE in the year 2,000-2,001. Earlier in 1999-2,000 exports worth 2081.59 million dollars were made. UK was also a major destination for Indian exports in the year 2,000-2,001. It claimed a share of 5.15 percent the total value of exports made by India in the year 2,000-2,001. The Figure 3-G below presents the changes witnessed in the major export destinations of India.
As per the CMIE Report (Foreign Trade & Balance Of Payments, October 2002) the Indian imports have increased by 257.63 million U.S. dollars between the period 1999-2,000 and 2,000-2,001 (Table No.3.8).

CHAPTER III
DIRECTION OF FOREIGN TRADE

Earlier, in 1999-2,000 imports worth 3685.76 million U.S. dollars were made from Belgium. These declined to 2868.84 million U.S. dollars in the year 2,000-2,001. USA was another important source for Indian imports as it claimed a share of 5.68% in total value of imports made by India in the year 2,000-2,001. Even the imports made from USA declined by 72393 million U.S. dollars in the year 2,000-2,001. The Figure3-H below presents the details of the changes witnessed in the India’s major imports sources.

2001-2002

The trend of declining share in total exports for OECD and Eastern Europe regions and the rising shares for OPEC and other developing countries and regions continued during the first seven months of the year 2,001-2,002. Exports to the OECD region declined significantly by 12.8% during April-October, 2,001, as against a rise of 13.8 percent in the
corresponding period of the previous year. This reflected the general slowdown in demand in this region. Major countries in the region that witnessed a decline in exports were USA, Canada, Japan, Germany, Netherlands, Belgium, Australia and UK. The decline in exports to the East European region was mainly due to lower exports to Russia and Hungary. The growth to the OPEC region and other developing countries also decelerated sharply during the first seven months of the year 2,001-2,002.

As regards the imports the share of the OECD countries declined from 43 percent (1999-2,000) to 39.9% (2,000-2,001) and further to38.3%(first seven months of2001-2002). There was also a decline in a share of imports from the OPEC region. The trends indicated that the change in sourcing of oil imports away from the OPEC region was underway. The share of Eastern Europe was maintained at the previous level. The share of imports from OPEC and developing countries increased to 5.7 and 19.1 percent respectively. USA, UK, Belgium, Germany, and Japan continued to be the major trading partners for India. In 2,001-2,002, Switzerland emerged as the fifth largest trading partner for India. The Indo-China export trade in the U.S. dollar terms increased by 20.5% during April-October 2,001. However the imports from China were still ahead. The Indo-Nepal bilateral trade picked up in the year 2,001-2,002.

As per the CMIE Report (October 2002) there was an overall decline in the value of Indian exports in the year 2,001-2,002. The Indian exports went down by 439.14 million U.S. dollars in the year 2,001-2,002. Earlier the Indian exports in the year 2,000-2,001 were of the value of 44147.44 million U.S. dollars. They went down by 439.14 million U.S. dollars and reached to 43708.3 million U.S. dollars in the year 2,001-2,002. USA was a major export destination for the Indian exports in the year 2,001-2,002. It claimed a share of 19.49% in the total value of the exports made by India in million U.S. dollar terms in the year 2,001-2,002. However, the exports to USA fell down by 734.49 million U.S. dollars in the year 2,001-2,002. Earlier these exports were to the level of 9251.55 million U.S. dollars in the year 2,000-2,001. (Table No.3.9)
Hong Kong happened to be the next major export destination for Indian exports in the year 2,001-2,002. Hong Kong occupied a share of 5.43 percent in the total value of the exports of made by India in the year 2,001-2,002. Earlier in the year 2,000-2,001 the exports made by India to Hong Kong were of the value of 2635.6 million U.S. dollars. In the next year these exports declined by 263.66 million U.S. dollars and reached to a level of 2371.94 million U.S. dollars (2,001-2,002). The Figure 3-I given above displays the changes in the major export destinations of India.

Sources: 3.10

Belgium was the next important source for the Indian imports in the year 2,001-2,002. It occupied a share of 5.41 percent in the total value of imports made by India in the year 2,001-2,002. The imports made from Belgium in the year 2,000-2,001 were 2868.84 million U.S. dollars which in the year 2,001-2,002 reached a level of 2772.35 million U.S. dollars. Thus the imports from Belgium faced a fall of 96.49 million U.S. dollars in the year 2,001-2,002. UK was another important source of imports for India. In the year 2,001-2,002 of the total value of imports made by India UK occupied a share of 5.02%. In the year 2,000-2,001 the imports from UK were 3142.98 million U.S. dollars. These later on declined to 2574.28 million U.S. dollars in the year 2,001-2,002. The Figure 3-J above displays the changes witnessed in the major import sources for India.