CHAPTER - II

THE BACKGROUND OF INDIA'S FOREIGN TRADE

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Foreign trade has been homely to India ever since the advent of the exchange of goods and service between nations. Throughout the middle ages the world demand for spices developed a brisk trade in the Asiatic waters. Spices were eagerly sought by the then entire civilised world, by India, Western Asia, Egypt and Europe. It was the Chinese who, landing upon the Moluccas or the Spice Islands in the Middle ages, discovered the clove and nutmeg in consequence of which a task for these commodities was diffused over India, and thence extended to Persia and Europe.

The great emporiums of this trade in the Asian waters were Ormuz, Aden, Sofala, Suakin, Calicut and Malacca. From Ormuz the commodities from Japan, China, Siam, Cambodia, Malaya and India were transported in ships up the Persian Gulf and the river Euphrates, and by carvans on to Alappo and Damascus and Tenebizzond, whence they were distributed all over Asia Minor, and Southern and Western Europe, and throughout Muscovy. The merchandise collected at Mocha was sent on to Suez and thence by carvans to

Grand Cairo, and down the Nile to Alexandria and Rhodes where it was shipped to Venice, Naples, Genoa, Barcelona and other parts of the Mediterranean.

Indian merchants were encountered at Massowah by the Portuguese when they first sought trade with Abyssinia at the close of the middle ages. The history of modern Europe and emphatically of England is the history of the quest of the aromatic gum resins and balsams and condiments and spices in India, Farther India, and the Indian Archipelago. The opening of the sea route to the west via the Cape of Good Hope meant that the rulers of Arabia and Egypt who imposed duties on goods passing up the Red Sea to Suez and thence by caravan to Cairo and Alexandria would suffer seriously. The Portuguese came to seek both Christians and Spices, and this aroused religious opposition. Two years later (1513) the Portuguese established their Suzerainty over Ormuz, the island at the mouth of the Persian Gulf through which the entire Eastern trade passed on its way to Persia¹ and thence to Europe. Here is a very great trade of all sorts of spices, drugs, silk, cloth of silk, fine tapestrie of Persia, great store of pearls which come from the isle of Baharin,

¹. Whiteway - "Rise of Portuguese Power in India".
and are the best pears of all others, and many horses of Persia, which serve all India. A link was established with China as early as 1517. Thus the lucrative business, which formerly had been in the hands of the Arabs merchants and which was carried on via the Red Sea through Alexandria, Genoa and Venice, was largely wrested from their hands by the Portuguese in the opening decades of the 16th century. Early in the 17th century the Dutch grew into an adventurous and enterprising sea faring nations and challenged the supremacy of the Portuguese trade at Surat and on the Malabar Coast in India. At first both the Portuguese and the Dutch found it necessary to pay in gold and silver for the monopoly of pepper and spices in the Archipelago. But soon they developed an exchange of commodities between India and the Archipelago to avoid the system of payment in bullion.

From Persia and Arabia the Portuguese brought to India horses, carpets, dates, raisins, raw silk and silver; from Europe quick silver, cutlery, swords, glassware, wines and other luxury articles, and from Africa ivory, musk, wax and coffee.

The European trade in Indian cotton goods grew up at the beginning of the 17th century as a
distinctly subsidiary interest for meeting the needs of the markets of Sumatra, Java and the Moluccas when spices were obtained for the European markets. But gradually Indian cloth goods came into favour in the European markets as well.

In the 17th century trade relations covered all the known world from China, Japan, and Spice Islands to Bengal, Malabar and Gujrat, and from India via the land route through Kandhar, Kashan and Tabriz to Aleppo and Constantinople and Alexandria and via Cape of Good Hope to Europe.

A variety of Indian silk and cotton goods came to be sought for the European markets at the beginning of the 17th century. Silk used formerly to be exported to Europe from Persia. Silk manufactured fabrics called 'ambertees' were made in Patna and were sold in Persia trade exploration followed for another three decades and it was only in 1651 that the English settled a Factory at Hooghly. For securing large quantities of silk, satpetre and sugar soon England became successful competitor of Persian and Chinese silk in the European Markets. Many kinds of cotton and silk goods were received from places for the English market. Dacca Musliims were regularly supplied to the emperial and provincial courts and were on sale all over northern India.
These were exported to Khorasan, Persia, Turkey and many other countries.¹ Dacca mulmul and Malda cassas as well as Fotahs were included among the regular items of Dutch export trade.

In the first quarter of the 18th century Bengal's industry and trade received a serious setback due to the loss of trade with Persia, Babylonia and Egypt caused by political convulsions and civil wars. The distracted state of Egypt almost shut up the trade by carvans from Suez to Cairo; from the latter of which the manufactures of Bengal were conveyed by sea to all the ports of the Ottoman dominions.²

With the rise and fall of empires, from several hundred years B.C. till the eleventh century A.D., India's foreign trade had its own lean and boom periods. But the foreign invasions and arson, loot and devastation by internal tribes, from twelfth through seventeenth century, in spite of the mighty Moghal empire, kept India in a state of constant warfare and perilous and uncertain conditions, hampering its foreign trade considerably. Near liquidation of Moghal empire with the death of Auranzeh, removing the influence of a centralised authority on trade and

¹. Khan, A; "East India Trade in the Seventeenth Century", Page No. 156.
². Bernier - Page 437.
commerce of the country, worsened the situation. The struggle to capture trade and territories of the power-vacuum India came to a near halt after the conclusion of the seven years war (1756-63) in which the British East India Company triumphed over its French rivals. During this turmoil the basic character of India's foreign trade remained unchanged.  

With the commencement of the eighteenth century start the darkest period in the history of India's foreign trade. The protectionists were successful in persuading the British Government to levy heavy import duties on Indian manufacturers. This reversal of the basic character of India's foreign trade started much before the industrial revolution. Main articles of Indian exports during the 1850's were raw cotton, cotton goods, yarn, raw silk, silk goods, raw wool, jute, etc. India had favourable balance of trade right from the period to second world war. In spite of the favourable balance of trade India remained a debtor under the alien rule.

The first fourteen years of the 20th century were marked by great prosperity and a great increase in, but little change in this nature of

India’s foreign trade. Both imports and exports expanded steadily and rapidly, although the total quantity and value of exports continued, as ever, greatly to exceed those of imports.¹

After the first World War the trade increased rapidly due to various factors. The lifting of war control was one of the most important factor. Other factors were resumption of trade with other countries, increased demand for raw material, etc. So far the first time India faced unfavourable balance of trade in 1920-21 and 1921-22.

**TABLE No. 2.1**

<table>
<thead>
<tr>
<th>YEARS</th>
<th>IMPORTS</th>
<th>EXPORTS</th>
<th>BALANCE OF TRADE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1919-20</td>
<td>221.7</td>
<td>336.0</td>
<td>114.3</td>
</tr>
<tr>
<td>1921-22</td>
<td>282.6</td>
<td>248.7</td>
<td>- 33.9</td>
</tr>
<tr>
<td>1928-29</td>
<td>263.4</td>
<td>339.2</td>
<td>75.8</td>
</tr>
<tr>
<td>1932-33</td>
<td>135.0</td>
<td>176.1</td>
<td>41.1</td>
</tr>
<tr>
<td>1938-39</td>
<td>157.8</td>
<td>169.2</td>
<td>17.4</td>
</tr>
<tr>
<td>1942-43</td>
<td>110.44</td>
<td>194.97</td>
<td>84.53</td>
</tr>
<tr>
<td>1945-46</td>
<td>292.15</td>
<td>266.39</td>
<td>- 25.76</td>
</tr>
<tr>
<td>1946-47</td>
<td>330.21</td>
<td>320.34</td>
<td>- 9.86</td>
</tr>
</tbody>
</table>


From table No. 2.1 it is clear that India’s foreign trade in the pre-independence period was mostly favourable except 1921-22 and 1945-46. Another

important factor is that during the pre-independence period both imports and exports grew rapidly and volume of trade increased.

The foreign trade inherited from the British bore the imprints of colonial exploitation of the country. For over hundred years before. The trade pattern as it evolved during the foreign rule, had become subservient to the British economy. As such, it served three major purposes of the colonialists. First, it ensured a cheap and steady supply of raw materials and food to the British Industry and people. Secondly, it provided an exclusive and protected market for British manufactured goods. And, thirdly, it served as a conduit for siphoning off the surpluses of the Indian economy to Britain.¹

India was the respiratory organ for the circulation and distribution of moneys and commodities of the world; it was the sea wherein all the rivers of trade and industry flowed and thus enriched its habitants.²

The colonisation of Indian economy was most significantly represented by the composition of exports and imports. Before the British rule, Indian

². Balkrishna, Commercial Relations between England and India, 1600-1757, Page No.37.
exports had for countries consisted of Industrial products like cotton textile, silk, woollen goods, iron, pottery, glass, paper, etc. All this was changed by the British policy of discouraging the exports of these products and encouraging imports of English manufacture. The colonial policy of Britain reverted India from an enterprising commercial nature to a docile country meekly supplying raw materials to her rulers and readily purchasing articles which she herself could have manufactured. While India thus deteriorated, England progressed from an agricultural stage to industrial and commercial pre-eminence.

The direction of trade also revealed the colonial character. The trading partners of India before were many and extended beyond neighbouring countries, including West Asia. During the British rule many of the non-Britishers were squeezed out. As a result a major part of India's trade came to be transacted with countries of the British Empire. Britain alone shared to the extent of one-third of the exports from and imports to India.
### TABLE No. 2.2

PERCENTAGE SHARES OF COUNTRIES IN THE VALUE OF IMPORTS OF MERCHANDISE INTO INDIA.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>BRITISH EMPIRE</th>
<th>U.S.A.</th>
<th>JAPAN</th>
<th>GERMANY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>U.K. OTHERS</td>
<td>TOTAL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1919-20</td>
<td>50.4 9.9</td>
<td>60.3</td>
<td>12.1</td>
<td>9.2</td>
</tr>
<tr>
<td>1925-26</td>
<td>50.9 8.2</td>
<td>59.1</td>
<td>6.6</td>
<td>8.0</td>
</tr>
<tr>
<td>1930-31</td>
<td>37.1 9.0</td>
<td>46.1</td>
<td>9.1</td>
<td>8.8</td>
</tr>
<tr>
<td>1933-34</td>
<td>41.2 8.8</td>
<td>50.0</td>
<td>6.2</td>
<td>14.2</td>
</tr>
<tr>
<td>1936-37</td>
<td>38.4 10.8</td>
<td>49.2</td>
<td>6.5</td>
<td>17.0</td>
</tr>
<tr>
<td>1939-40</td>
<td>25.2 31.1</td>
<td>56.3</td>
<td>9.0</td>
<td>11.6</td>
</tr>
</tbody>
</table>

**SOURCE:** Agrawal, B.M., Indo-Japanese Trade Relations, Page 19, 1974.

From the above Table it is clear that Britain was the major partner in the trade and rest of the countries had negligible share in the trade. After 1935-36 the share percentage of other countries increased while the share of Great Britain decreased.

Second World War broke in September, 1939, and it had various effects on India's foreign trade. The first effect of the war was to bring about a decline in the volume of trade. Many factors were responsible for the rise in the value of imports during the period. Demand for consumer goods and capital goods increased sharply. Price level in India
rose higher than the corresponding rise in other countries particularly in U.K. and U.S.A. This turned the terms of trade against India. The portion of India put imports at higher level than exports.

The commodity structure of exports underwent a change whereas the raw material component of exports declined from 45.10% of the total exports in 1938-39 to 31.37% in 1947-48. The share of manufactured articles improved from 30.0% in 1938-39 to 48.8% in 1947-48.

The war as well as brought about a change in the direction of trade. Several countries fell, one after another, under German occupation and were thus lost as markets to India. The acute shortage of shipping and insecurity brought relative decline in long distance traffic and a corresponding improvement in our trade relations with nearby countries like Egypt, Iran, Saudi Arabia, Iraq, Kanya, Australia and Ceylon, etc.¹

A significant development during the war was that the terms of trade after an initial improvement in 1939-40, showed a continuous deterioration in the next three years on account of greater

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rise in the price of imports. It was only during the last two years of the War, when the prices of exports rose higher and faster than the terms of trade moved in India's favour.¹

POST INDEPENDENCE PERIOD:

15th August, 1947, was a red letter day for India as she got freedom from British rule. Creation of Pakistan as an Independent nation was a great blow to India's foreign trade as most of the best cotton producing area and jute areas went to Pakistan and India was bound to import. These commodities from other countries which she was earlier exporting on foreign trade on the eve of planning. The foreign trade of India showed an excess of imports over exports. The rise in imports was largely due to pent up demand of the war and the post-war period as a consequence of various controls and restrictions. The shortage of food and basic raw materials increased the volume of imports.

On 1st April 1981 India adopted economic planning and this marked the beginning of five years plans in India. In 1950-51, on the eve of the first Five Year Plan, the imports totalled Rs.1,025 crores against which exports totalled Rs.947 crores. During

the first Plan, the developmental and investment activities were still formative, as a result of which volume of imports fell. Besides, as an aftermath, of the Korean war, price boom, the unit price of imports and exports were falling. By a combined result of these two causes, imports and exports fell to about Rs.610 crores and 530 crores respectively bringing the deficit down to Rs.79.71 crores only.1

<table>
<thead>
<tr>
<th>TABLE No. 2.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIRST FIVE YEAR PLAN (1951-52 to 1955-56)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>YEARS</th>
<th>IMPORTS</th>
<th>EXPORTS</th>
<th>BALANCE OF TRADE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51</td>
<td>650.3</td>
<td>646.8</td>
<td>- 3.5</td>
</tr>
<tr>
<td>1951-52</td>
<td>962.9</td>
<td>730.1</td>
<td>-232.8</td>
</tr>
<tr>
<td>1952-53</td>
<td>633.0</td>
<td>601.9</td>
<td>- 31.1</td>
</tr>
<tr>
<td>1953-54</td>
<td>591.8</td>
<td>539.7</td>
<td>- 52.1</td>
</tr>
<tr>
<td>1954-55</td>
<td>989.7</td>
<td>596.6</td>
<td>- 93.1</td>
</tr>
<tr>
<td>1955-56</td>
<td>773.1</td>
<td>640.3</td>
<td>-132.8</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4600.8</td>
<td>3755.4</td>
<td>545.4</td>
</tr>
</tbody>
</table>

The launching of first Five Year Plan brought, in its wake, important changes both in India's foreign trade and trade policy which from now onwards was designed to promote industrialisation.

in particular and economic development in general. Foreign trade was no longer a conduit pipe for ciphoning of surplus from India to Britain, rather it served as a pipeline for the inflow of capital resources from abroad and reflected the impact of development plans on the economic structure of the country.1

The first significant change was with regard to the volume of the trade in 1950-51 total imports were 650.3 crores while exports were 646.8 crores leaving a narrow margin of trade deficit of 3.5 crores rupees. At the end of first Five Year Plan both imports and exports registered a new landmark and the total imports were 3,650.5 crores while exports were 3,108.6 crores leaving a trade deficit of 541.9 crores rupees. In the first Five Year Plan the annual average of exports was 622 and that of imports was 730. The main cause for the trade deficit during first Five Year Plan was imports of capital goods for rapid industrialisation.

SECOND FIVE YEAR PLAN (1956-57 - 1960-61):

During the second Five Year Plan a massive programme of industrialisation was initiated. This includes the setting up of the Steel Plants heavy
expansion and remmovation of Railways and modernisation of many industries, and as a result the quantum of imports reached a very high level. Besides this, the maintenance of imports required for a developing economy further increased our imports.¹

**TABLE No. 2.4**

(Rs. crores)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>IMPORTS</th>
<th>EXPORTS</th>
<th>BALANCE OF TRADE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956-57</td>
<td>1102.1</td>
<td>635.2</td>
<td>- 466.9</td>
</tr>
<tr>
<td>1957-58</td>
<td>1233.2</td>
<td>594.2</td>
<td>- 639.0</td>
</tr>
<tr>
<td>1958-59</td>
<td>1029.3</td>
<td>576.2</td>
<td>- 453.0</td>
</tr>
<tr>
<td>1959-60</td>
<td>932.3</td>
<td>627.4</td>
<td>- 304.9</td>
</tr>
<tr>
<td>1960-61</td>
<td>1105.7</td>
<td>630.5</td>
<td>- 476.2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>5402.6</td>
<td>3063.5</td>
<td>- 2340.0</td>
</tr>
</tbody>
</table>

Exports under the second Five Year Plan did recover some change in their pattern. Export earnings averaged Rs.613 crores per annum. The figures of average export earnings for the second Five Year Plan was lower than that under the first Five Year Plan which shows that the much needed diversification of exports and export promotion drive did not materialise. Consequently, the trade balance

became heavily adverse. Second Five Year Plan period is the turning point for the foreign trade because the setting up of heavy industries compelled India to import heavily and the trend of adverse balance of trade started which never turned in favour of India.

**TABLE No. 2.5**

THIRD FIVE YEAR PLAN (1961-62 to 1965-66)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>IMPORTS</th>
<th>EXPORTS</th>
<th>BALANCE OF TRADE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961-62</td>
<td>1006.0</td>
<td>668.3</td>
<td>- 337.7</td>
</tr>
<tr>
<td>1962-63</td>
<td>1096.8</td>
<td>680.9</td>
<td>- 415.9</td>
</tr>
<tr>
<td>1963-64</td>
<td>1245.0</td>
<td>801.6</td>
<td>- 443.4</td>
</tr>
<tr>
<td>1964-65</td>
<td>1409.4</td>
<td>801.4</td>
<td>- 608.0</td>
</tr>
<tr>
<td>1965-66</td>
<td>1350.0</td>
<td>783.3</td>
<td>- 566.7</td>
</tr>
</tbody>
</table>

**TOTAL:** 6107.2  3735.5  - 2371.7


During the third Five Year Plan actual annual average of imports were 1224 crores. The main cause of high imports was increased defence demands and two wars, firstly with China (1962) and later with Pakistan. Besides this, India was bound to import large quantity of foodgrains due to failure of crops.
In June 1966, India decided to devalue her rupee by 36.5 percent. When India announced the devaluation of her rupee, there was drought in the country and next year was bad weather year. At the same time Government announced its policy to liberalise imports in case of 59 industries. All the factors further aggravated the trade deficit.

**TABLE No. 2.6**

**ANNUAL PLANS**

(Rs. crores)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>IMPORTS</th>
<th>EXPORTS</th>
<th>BALANCE OF TRADE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966-67</td>
<td>1991.4</td>
<td>1085.6</td>
<td>- 905.4</td>
</tr>
<tr>
<td>1967-68</td>
<td>2042.8</td>
<td>1254.6</td>
<td>- 788.2</td>
</tr>
<tr>
<td>1968-69</td>
<td>1740.5</td>
<td>1367.4</td>
<td>- 373.1</td>
</tr>
</tbody>
</table>

**TOTAL**: 5774.7  3707.6  2067.7

The devaluation of rupee brought some increase in exports but due to inelastic imports, the total import bill reached a level of Rs. 2042.8 crores in 1967-68. There was better crop in 1968-69 which declined the imports of foodgrains. Devaluation produced some healthy effect on stimulating exports which lowered the trade deficit.
In fourth Five Year Plan for the first time in the history of Free India, the balance of trade was favourable in 1972-73. It was due to policies of import restriction and export promotion. But this achievement could not stay long. In 1973-74 due to so many factors India lost the favourable balance of trade. One of them was hike in the prices of petroleum products. Others were rise in prices of steel, iron, ferrous metals, fertilisers. All these factors ultimately pushed India's imports to highest level of ₹2,995 crores in 1973-74. Exports also grew but the trade deficit reached the mark of ₹432 crores at the end of fourth Five Year Plan. In overall sense, trade balance during the fourth Five Year Plan

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INDIA'S FOREIGN TRADE IN FIVE YEAR PLAN PERIOD

Scale
0 Cr Rs. 16000
Exports Imports TBalance
was of much lower magnitude as compared with the period of the third Five Year Plan.

**TABLE No. 2.8**

**FIFTH FIVE YEAR PLAN**

(Crores Rs.)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>IMPORTS</th>
<th>EXPORTS</th>
<th>BALANCE OF TRADE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974-75</td>
<td>4519</td>
<td>3329</td>
<td>-1190</td>
</tr>
<tr>
<td>1975-76</td>
<td>5265</td>
<td>4043</td>
<td>-1222</td>
</tr>
<tr>
<td>1976-77</td>
<td>5074</td>
<td>5143</td>
<td>+69</td>
</tr>
<tr>
<td>1977-78</td>
<td>6026</td>
<td>5374</td>
<td>-652</td>
</tr>
<tr>
<td>1978-79</td>
<td>6771</td>
<td>5717</td>
<td>-1054</td>
</tr>
</tbody>
</table>

**TOTAL:** 27855  23606  -4249

Fifth Five Year Plan marked a new era in the foreign trade of India. Import bills becoming larger and larger in comparison to exports in the plan period. Trade policy during 1975-76 was devised mainly to import dynamism to the country's efforts for expansion and diversification of exports. In the fifth Five Year Plan period both imports and exports rose fastly but imports grew faster than the imports and once again we faced heavy trade deficit at the end of fifth Five Year Plan.
In the early sixth Five Year Plan period, India’s imports increased rapidly due to liberal import policy of Janta Government, who was in power for two and a half years approximately. India’s exports increased with 5.0 percent only in the rolling plan period of 1978-79 and by 12.8 percent in 1979-80. The remaining years of sixth Five Year Plan saw India’s exports increasing once again from 3.8 percent in 1980-81 to 22.3 percent in 1982-83.¹

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¹. Economic Survey, Govt. of India, 1982-83, Page No. 4.

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**TABLE No. 2.9**

**SIXTH FIVE YEAR PLAN**

(*₹. crores*)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>IMPORTS</th>
<th>EXPORTS</th>
<th>BALANCE OF TRADE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979-80</td>
<td>8,684</td>
<td>6,427</td>
<td>-2,257</td>
</tr>
<tr>
<td>1980-81</td>
<td>12,524</td>
<td>6,710</td>
<td>-5,814</td>
</tr>
<tr>
<td>1981-82</td>
<td>13,272</td>
<td>7,557</td>
<td>-5,715</td>
</tr>
<tr>
<td>1982-83</td>
<td>14,360</td>
<td>8,834</td>
<td>-5,526</td>
</tr>
<tr>
<td>1983-84*</td>
<td>15,347</td>
<td>9,396</td>
<td>-5,951</td>
</tr>
<tr>
<td>1984-85*</td>
<td>8,680</td>
<td>6,702</td>
<td>-1,978*</td>
</tr>
</tbody>
</table>

(Seven months)  

ITEMS OF EXPORTS & IMPORTS:

The principle items of exports in India's foreign trade before Independence were tea, jute products, cotton fabrics, etc. along with Manganese ore, ground-nut, oil seeds, leather and cotton were also exported by India. In total exports the percentage of agricultural product was 49%. These items of exports were also known as traditional items of exports in India.

TABLE No. 2.10

PERCENTAGE SHARE OF SELECTED ITEMS IN INDIA'S EXPORTS.

<table>
<thead>
<tr>
<th>Year</th>
<th>Grain, Tea pulse, flour</th>
<th>Oils Veg.</th>
<th>Seeds</th>
<th>Cotton raw &amp; waste</th>
<th>Jute</th>
<th>Hides &amp; Skins Raw &amp; tanned</th>
<th>Cotton Yarn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938</td>
<td>4.6</td>
<td>13.8</td>
<td>0.6</td>
<td>8.9</td>
<td>14.7</td>
<td>7.9</td>
<td>3.1</td>
</tr>
<tr>
<td>1940</td>
<td>3.0</td>
<td>14.0</td>
<td>1.2</td>
<td>5.1</td>
<td>12.4</td>
<td>4.0</td>
<td>3.0</td>
</tr>
<tr>
<td>1942</td>
<td>4.4</td>
<td>16.2</td>
<td>0.9</td>
<td>5.3</td>
<td>4.0</td>
<td>5.2</td>
<td>5.9</td>
</tr>
<tr>
<td>1945</td>
<td>1.4</td>
<td>15.2</td>
<td>1.3</td>
<td>5.7</td>
<td>4.2</td>
<td>5.3</td>
<td>8.9</td>
</tr>
<tr>
<td>1947</td>
<td>-</td>
<td>13.5</td>
<td>3.0</td>
<td>2.4</td>
<td>9.8</td>
<td>6.3</td>
<td>5.3</td>
</tr>
<tr>
<td>1949</td>
<td>-</td>
<td>14.3</td>
<td>1.8</td>
<td>2.9</td>
<td>3.8</td>
<td>3.1</td>
<td>N.A.</td>
</tr>
<tr>
<td>1950</td>
<td>-</td>
<td>13.1</td>
<td>4.2</td>
<td>2.9</td>
<td>2.9</td>
<td>-</td>
<td>5.9</td>
</tr>
</tbody>
</table>


The pre-Independence period was dominated by the traditional items of exports. After Independence the percentage of non-traditional items started increasing. The structure of Indian exports is typical of an under-developed economy. A major share of exports is accounted for by consumer goods, raw material and agricultural products.
POST-INDEPENDENCE PERIOD:

The first thing to note and that dramatically distinguishes post-independence position from that of pre-independence is the almost continuous increase and big at that in the total trade (imports + exports) of the country. In 1950-51 we were importing goods worth Rs. 650 crores and exporting goods that of 600 crores which increased to 13200 crores in imports and 7700 crores in exports side in 1981-82. The trade gap was 5500 crores today our export stands at Rs. 9396 crores and imports at Rs. 15,347 crores in 1983-84 with the largest trade of Rs. 5951 crores.

ITEMS OF EXPORTS:

In the pre-Independence period India was exporting only traditional items like tea, cotton, tobacco, etc., but Independence brought a great change in items of exports. India adopted mixed economy. The first Prime Minister Mr. Jawaharlal Nehru was great supporter of industrialisation and he insisted on establishment of heavy industries. The export of engineering goods soon started picking momentum and soon became major item of exports.

From the table No. 2.11 it is clear that after independence the value of non-traditional items such as engineering goods, iron & steel, chemicals are increasing. In 1960-61 the value of engineering goods was 15.4 crores only which increased upto 900.5 crores in 1980-81. Iron and steel and other products also showed a sharp increase.
### TABLE No. 2.11

**PRINCIPAL EXPORTS OF INDIA**

(\(\text{Rs. crores}\))

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>(A) Major non-traditional items:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Engineering goods</td>
<td>13.4</td>
<td>130.4</td>
<td>900.5</td>
<td>786.2</td>
</tr>
<tr>
<td>2. Iron &amp; Steel</td>
<td>8.7</td>
<td>67.2</td>
<td>82.3</td>
<td>55.8</td>
</tr>
<tr>
<td>3. Iron ore</td>
<td>26.8</td>
<td>117.3</td>
<td>289.4</td>
<td>373.8</td>
</tr>
<tr>
<td>4. Chemicals</td>
<td>5.4</td>
<td>29.4</td>
<td>209.8</td>
<td>308.2</td>
</tr>
<tr>
<td>5. Sugar</td>
<td>2.4</td>
<td>37.6</td>
<td>36.0</td>
<td>62.3</td>
</tr>
<tr>
<td><strong>(B) Other items:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Jute</td>
<td>212.9</td>
<td>190.4</td>
<td>243.3</td>
<td>202.8</td>
</tr>
<tr>
<td>2. Tea</td>
<td>194.7</td>
<td>148.9</td>
<td>385.4</td>
<td>367.5</td>
</tr>
<tr>
<td>3. Cotton Fabrics</td>
<td>90.6</td>
<td>75.3</td>
<td>293.8</td>
<td>265.5</td>
</tr>
<tr>
<td>4. Leather &amp; leather manufacture</td>
<td>39.3</td>
<td>72.7</td>
<td>376.0</td>
<td>345.9</td>
</tr>
<tr>
<td>5. Cashew kernels</td>
<td>29.8</td>
<td>52.1</td>
<td>123.2</td>
<td>134.0</td>
</tr>
<tr>
<td>6. Tobacco</td>
<td>22.1</td>
<td>14.0</td>
<td>13.8</td>
<td>18.5</td>
</tr>
<tr>
<td>7. Fish &amp; Fish preparations</td>
<td>7.3</td>
<td>30.5</td>
<td>223.7</td>
<td>228.2</td>
</tr>
<tr>
<td>8. Manganese ore</td>
<td>22.1</td>
<td>14.0</td>
<td>13.8</td>
<td>18.5</td>
</tr>
</tbody>
</table>

**SOURCE:** Compiled from different issues of Economic Survey, Govt. of India, including 1983-84 Survey, Page No. 148-9, Table 6.

(1) **Jute:** It was an important item of Indian exports before two decades in 1960-61 jute had 20% share in the total exports of India. It increased up to 23% in 1965-66, but the share of jute in Indian exports fell considerably in 1976-77 and remained only 4% in 1977-78. The jute products
INDIA'S PRINCIPAL EXPORTS
Agro-Based

Crores Rs.

1000
800
600
400
200

1960-61 70-77 80-81 82-83

Jute Tea Leather - L.MFG. Scale 400 Crores Rs.
there was 28% less export earnings from jute. Now the
share of jute in Indian exports is only 3.62%. The main
cause behind this is the increasing competition.

(2) TEA:

It is a traditional item of Indian export. It
shared 19% of the total Indian exports in 1960-61. India
exports 75% of its tea production. England imports 70%
of Indian tea exports. There is a keen competition between
China, Shri Lanka, Brazil for international market. India
exported tea worth ₹385 crores in 1980-81 while in 1982-83
only 150.75 crores tea was exported to different countries.

(3) COTTON FABRICS:

It is the oldest item of Indian exports. India is
exporting cotton fabrics from last one decade. The main
importers are U.S.A., Australia, Burma, Britain, Sudan,
Indonesia, etc. In 1960-61 cotton fabrics of ₹90.6 crores
were exported which increased to 161.2 crores in 1975-76.
In 1980-81 India exported cotton fabrics of ₹293.8 crores.
India is also exporting ready-made garments besides cotton
fabrics. In 1970-71 garments worth ₹86 crores were exported
which increased upto 481 crores in 1980-81. In 1982-83
garments of ₹232.92 crores were exported. The keen compa-
tetion in this field is major hurdle for increasing exports.
Hongkong, China, Japan are main competitors in this field.
The policies of E.E.C. are also causing great problems for
export. India also needs a large sum for the renovation
of its mills because they are in very serious condition.
Most of the mills are sick Mills.
(4) **TOBACCO** :

India is the second largest producer of tobacco in the world. It exports 50% of its production to the world. The main buyers are U.K., U.S.S.R., Japan, Sweden, Malaysia, etc. India exported tobacco worth Rs.24.8 crores in 1960-61 which increased to Rs.138 crores in 1980-81. In 1981-82 it exported tobacco worth Rs.161 crores.

(5) **IRON ORE** :

India is producing more iron ore than its consumption. That is why she is exporting this item to its maximum capacity. India earned 66 crores rupees by exporting iron ore in 1965-66. In 1975-76 she got 214 crores by exporting iron ore. Britain and Japan are two major importing countries. India earned 289 crores in 1980-81 from this item.

(6) **SUGAR** :

India entered in the export of sugar in 1951-52. In 1960-61 she exported sugar worth Rs.3.4 crores which increased up to 472 crores in 1975-76. Due to fall in sugar prices on international level, India exported sugar of Rs.200 crores only in 1976-77. Exports of sugar further declined up to Rs.19.5 crores only in 1977-78. In 1980-81 we earned 36 crores of rupees by exporting sugar.

(7) **ENGINEERING GOODS** :

Engineering exports have emerged as the most dynamic sector in India's exports. India exported engineering goods of Rs.13.4 crores in 1960-61. In 1975-76 we exported 413 crores rupees engineering goods. In last 20 years our exports of this good have increased by 70%. India exported engineering goods of Rs.900 crores in 1980-81.
INDIA'S PRINCIPAL EXPORTS

Mineral-Based

Crores Rs

1400
1200
1000
800
600
400
200

1960-61  70-77  80-81  82-83

Iron & Steel  Iron Ore  Chemicals' Eng-Goods

0 Scale  400 Crores Rs
Thus it shared 13.5 percent of our total exports. Our main buyers are African countries, U.S.A., Canada, Britain. In 1969-70 India exported engineering goods of Rs. 91 crores only which reached to Rs. 175 crores in 1973-74. This product is now an important item of our exports. Export of this item has increased to 117 percent since 1960. It is the top foreign exchange earner item of the country. The initial target for 1983-84 was 1500 crores. In 1960-61, Rs. 12 crores were earned while in 1982-83 Rs. 1,250 crores were earned.

The major items of engineering exports include automobiles and parts, diesel engines and parts, industrial machines, bicycles and parts, electric wires and cables, hand tools and cutting tools, iron and steel castings, electric power machinery and steel structural.

**TABLE No. 2.12**

(1982-83)

<table>
<thead>
<tr>
<th>Country</th>
<th>Engineering goods in crores</th>
<th>Country</th>
<th>Engineering goods in crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. U.K.</td>
<td>145</td>
<td>5. Sri Lanka</td>
<td>45</td>
</tr>
</tbody>
</table>

**SOURCE:** Engineering Promotion Council, Calcutta, 1984.

(8) **IRON AND STEEL:**

We have largest deposits of iron ore in the world. India is producing sufficient iron and steel for exports. In 1960 we exported iron and steel of Rs. 8.7 crores which increased to Rs. 283 crores in 1976-77, but due to world wide
depression our exports declined to ₹.105.2 crores in 1979-80 and as depression spread further our exports declined to very low level of ₹.82.3 crores only in 1980-81. Our exports increased by 22.6 percent in 1976-77 in comparison to 1960.

(9) CHEMICALS:

Chemicals are another important items of our exports. In 1960-61 chemicals worth ₹.5.4 crores were exported which increased to ₹.109 crores in 1976-77. In early eighties the exports of chemicals increased to ₹.209.4 crores in 1980-81.

(10) LEATHER AND LEATHER MANUFACTURE:

India is exporting leather and leather products from last 30 years. In 1960-61 leather and leather products were exported worth ₹.39.3 crores which increased to ₹.519 crores in 1979-80. Indian shoes are very popular abroad specially in Russia and Socialist countries. In 1980-81 the leather and leather product export was of ₹.376 crores.

(11) FISH & FISH PRODUCT:

Fish and fish product are also main items of our exports. In sixties India exported fish and fish product of ₹.7.3 crores which increased to ₹.249.4 crores in 1979-80 but in 1980-81 the export of this item declined to ₹.223.7 crores only.

India's total exports increased by 12.7 % in April-August 1984 in comparison to last year. Last year
it was 8.2% in 1983. Non oil exports increased by 20.4 over corresponding period of last year.1

MAJOR ITEMS OF EXPORTS:

India is a developing country which is bent for fast industrialisation. When India became independent, she adopted a policy of economic planning. Our First Prime Minister Mr. Jawaharlal Nehru emphasised on the need of heavy industries. So, for rapid economic development India started importing major items for heavy industries. The heavy import bill since Independence put India on the adverse balance of trade position.

In the pre-Independence period India had a trade surplus but after Independence the picture changed and in 1950-51 on the eve of the launching of the first Five Year Plan, the imports totalled Rs.1,025 crores against exports which totalled Rs.947 crores, leaving a deficit of Rs.78 crores. During the first Plan the developmental and investment activities were still formative, as a result of which the volume of imports fell. India's imports in 1960-61 totalled Rs.1068 crores. Import of manufactured goods and machinery and transport equipment accounted for more than 50 percent of the total imports. During the 10 years that covered the second and third Plan, i.e. between 1955-56 and 1965-66, India's imports more than doubled from Rs.678.8 crores to Rs.1,408.53 crores implying an average growth of 13 percent. As a rising trend of exports and imports India's trade deficit

escalated from Rs.82.50 crores to Rs.602.89 crores between 1955-56 to 1965-66.

India adopted the import substitution policy in 1965 and import started shrinking and India also devalued her rupee second time in June 1966. So, the growth rate of imports fell from 4.4 percent to 3.3 percent in between 1965 - 1970-71 period.

There was a sharp rise in imports in 1974-75. This was the impact of the world commodity boom. The extent of rise of imports excluded that oil exports with the result that trade deficit further increased. The main cause was the import of foodgrains and petroleum which increased the import bill very high. Imports declined to 16.5 percent in comparison to 1974-75. 1975-76 saw marginal growth of import by 3.6 percent only. The trade deficit was 68.46 crores only in 1976-77. Once again the liberal import increased the import bill by 16.8 percent in 1977-78. The foreign trade showed a stagnation in 1978-79 as there was no remarkable increase in exports in comparison to imports. In 1980-81 imports were 13272 crores a record high than 1979-80 in 1981-82. For the first time during the last five years India's negative trade gap stopped widening and in fact showed a fall although negligible by 1.7 percent from Rs.5814 crores in 1980-81 to Rs.5715 crores in 1981-82. Thus, it has broken the trend of doubling or more than doubling each year since 1977-78, in 1981-82 imports increased by 9.9 percent compared with 38.8 percent in 1980-81 on the basis of
provisional data, during the first half of the current financial year, imports grew by 11.9 percent compared with 4.0 percent last year.¹

IMPORT ITEMS:

Our major items of import is petroleum and petroleum products, consumer goods, iron and steel, fertilisers, machines and transport equipments and pearls and precious and semi-precious stones, etc.

(1) PETROLEUM AND PETROLEUM PRODUCTS:

In modern transport system petrol plays an important role. For the transportation we import 60% petrol and petroleum products of our total consumption from foreign countries. In 1973-74 we spent 560 crores rupees on this item. In 1974-75 it increased upto ₹.1115 crores and reached ₹.1225.7 crores in 1975-76. In 1976-77 ₹.1412 crores were spent on petrol and petroleum products which was 15 percent more than preceding year. Now a days petroleum products constitutes 40-45 percent of our total imports. India imported petrol and petroleum products of ₹.1550 crores in 1977-78 although Bombay high and other portions are producing petrol and petroleum products and we can think of self-reliance in this field within ten years, but we imported petrol and its products of ₹.3267 crores and 5587 crores in 1979-80 and 1980-81 respectively. In the year 1982-83 India imported petroleum & petroleum products worth ₹.559717 crores of rupees.

### TABLE No. 2.13

**INDIA'S MAJOR IMPORTS**

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Consumer goods</td>
<td>285.7</td>
<td>1342.8</td>
<td>1260.3</td>
<td>1310.4</td>
<td>-</td>
</tr>
<tr>
<td>2. Jutes &amp; wool (Raw)</td>
<td>12.0</td>
<td>27.8</td>
<td>39.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3. Petrol &amp; Petroleum products</td>
<td>109.1</td>
<td>1225.7</td>
<td>5587.0</td>
<td>5289.0</td>
<td>5597.7</td>
</tr>
<tr>
<td>4. Fertilisers</td>
<td>9.6</td>
<td>533.8</td>
<td>824.2</td>
<td>1490.1</td>
<td>1503.2</td>
</tr>
<tr>
<td>5. Iron &amp; steel</td>
<td>193.0</td>
<td>311.9</td>
<td>779.2</td>
<td>1136.0</td>
<td>1123.0</td>
</tr>
<tr>
<td>6. Non-ferrous metals</td>
<td>74.5</td>
<td>100.4</td>
<td>424.2</td>
<td>302.0</td>
<td>277.0</td>
</tr>
<tr>
<td>7. Electrical goods &amp; machines</td>
<td>90.1</td>
<td>200.8</td>
<td>233.5</td>
<td>240.3</td>
<td>248.2</td>
</tr>
</tbody>
</table>

**SOURCE:** Economic Survey, Govt. of India, 1971-72 & 1983-84, Table No.6.5, Page 142-3.

(2) **CONSUMER GOODS:**

India import consumer goods from U.S.A., Canada, Australia and Argentina. India began its imports of foodgrains after partition as the surplus food producing areas of West Punjab went to Pakistan. We imported foodgrains worth ₹ 286 crores in 1960-61. Due to famine in some parts of country in 1966-67 we imported foodgrains of ₹ 423 crores specially wheat. In 1972-73 only foodgrains of ₹ 81 crores were imported. All these imports we did under PL-480 programme. Once again in 1974-75 the import bill of foodgrains touched 473 crores mark which further inflated to 1338 crores in 1975-76. In 1979-80 we spent 106 crores of rupees for the import of foodgrains.
INDIA'S PRINCIPAL IMPORTS

Crores Rs.

Scale

0 2000 Cr. Rs.

Non Ferrous Metals

Transport Equipment

Food Grains

Fertiliser

Petroleum Products

1960-61 74-75 80-81 82-83
(3) IRON & STEEL:

Iron & steel is necessary for industrial development of country. Although we are having some steel plants but they are insufficient to fulfill the domestic demand hence imports of iron & steel is inevitable. In 1960-61 iron & steel worth ₹.193 crores were imported which increased to ₹.423.7 crores in 1974-75, but the import of iron & steel fell marginally to ₹.311.9 and ₹.219.7 crores in 1975-76 and 1976-77 respectively. In 1979-80 once again the import of iron & steel touched high level of ₹.1,100.4 crores which fell to ₹.779.2 crores in 1980-81. Import of iron & steel moved up sharply by one-third to ₹.1,136 crores in 1981-82. In 1982-83 it declined marginally to ₹.1,123 crores.

(4) FERTILISERS:

Agriculture is the backbone of Indian economy. For good agriculture fertiliser is essential. In 1960-61 only 9.6 crores were spent on import of fertilisers which increased to 515.4 crores and 728.1 crores for 1979-80 and 1980-81 respectively. Import of manufactured fertilisers had dropped nearly 40 percent during 1981-82 to ₹.389 crores as a result of higher domestic production of Nitrogenous fertilisers. In 1982-83 imports further fell steeply by 65 percent to ₹.136 crores and by about 56 percent in quantity as compared with imports during 1981-82.

(5) MACHINES AND TRANSPORT EQUIPMENTS:

Machines and transport equipments are essential
for industrial development of country. We imported these items mainly from Britain, U.S.A., Canada, West Germany and Japan. In 1972-73 machines worth Rs. 285 crores were imported. In 1975-76 machines of Rs. 157 crores were imported. In 1980-81 transport equipments were imported by paying Rs. 427 crores. Import of machines and transport equipments had declined by 9 percent in 1981-82 to Rs. 1654 crores in 1982-83. These imports at Rs. 2172 crores registered an increase of 31 percent over those of 1981-82. Their share in total imports moved to 15.5 percent.

(6) PEARLS, PRECIOUS & SEMI-PRECIOUS STONES:

These are used in making jewellery for exports and such imports are therefore linked with exports. In 1981-82 these imports had declined by about one-sixth. It spurted during 1982-83 by 96 percent over that of 1981-82 to an all time record high of Rs. 677 crores. In 1983-84 imports of precious and semi-precious stones have increased by 59.8 percent compared with the corresponding provisional figures for 1982-83.

DEVIATION OF INDIA’S FOREIGN TRADE:

The nature, composition and direction of India’s foreign trade have undergone significant structural changes since the inception of planning era in the country. The process of diversification of India’s foreign trade actually started during second world war. The partition of the country in 1947 gave a big jolt to the foreign trade as India became an importer of raw cotton, raw jute and other important materials.
During pre-Independence days major part of India's foreign trade was directed to Britain and other commonwealth countries. U.K. alone accounted for 40 percent of country's exports and imports. India has now established trade relationships with virtually all the big and small nations of the world.

In the following table trade direction with selected countries are shown. These countries account 48 percent of country's foreign trade in 1950-51. In 1980-81 the share of these countries was more than 50 percent in total foreign trade. In 1950-51 U.K. with 21 percent of the country's imports and 24 percent of the exports topped the list of countries having commercial relations with India. But during last 30 years the U.S.A. has emerged as the largest trading partner of India. U.S.A. accounts for 12.1 percent of the total import and 12.6 percent of the country's exports. Besides U.S.A., U.S.S.R., Japan and West Germany contribute significant part of the foreign trade of India. During the last two decades Iran has assumed importance in the context of international oil crisis during seventies. In 1980-81 India has favourable balance of trade with U.S.S.R., but with most of the countries India has unfavourable balance of trade. Foreign trade with Japan was favourable during 1973-74 and 1979-80. In 1973-74 the trade with U.K. was favourable.

The distribution of India's exports by market regions showed a fairly diversified pattern. The share
of developed countries as represented by O.E.C.D., though still dominant, had tended to decline while the share of the exports going to the O.P.E.C. and Eastern Europe had tended to increase. The relative share of exports going to the O.E.C.D. declined from 46.6 percent in 1980-81 to 45.1 percent in 1981-82 although exports to the region increased by 12.4 percent from Rs.3126.5 crores in 1980-81 to Rs.3515.4 crores in 1982-83. Within the O.E.C.D., the E.E.C. and the U.S.A. accounted for the bulk of exports from India. The relative share of the E.E.C. in our exports declined from 21.2 percent in 1980-81 to 19.6 percent in 1981-82, because of a slower rate of growth of 7.6% of exports to the region in 1981-82. With an increase of 18.6 percent in exports to the U.S.A. during 1980-81, the share of the U.S.A. in exports remained relatively stable at about 11 percent during 1981-82. India's exports to the O.P.E.C. region increased by 21.8 percent from 761.2 crores in 1980-81 to Rs.927.0 crores in 1981-82 which marginally improved the O.P.E.C.'s relative share in India's exports from 11.3 percent in 1980-81 to 11.9 percent in 1981-82. There was significant increase in exports in 1981-82 to Iraq 55.6 percent and Kuwait 32.7 percent but exports to Iran suffered a decline of about 10 percent.  

Exports to developing countries of the E.S.C.A.P. region (excluding Iran, Japan, Indonesia, Australia, Newzealand) increased by only 6 percent during 1981-82

INDIA'S TRADE WITH SELECTED COUNTRIES

1950-57

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which reduced the relative share of the region in India's exports from 10.4 percent in 1980-81 to 9.5 percent in 1981-82. Exports to the E.S.C.A.P. region (excluding Iran, Indonesia only) increased during 1981-82 by 10.8 percent resulting in a fall in the relative share of the region in India's exports from 21 percent in 1980-81 to about 20 percent in 1980-81.

Exports to Eastern Europe improved by 19.5 percent from Rs.1,486.3 crores in 1980-81 to Rs.1,782.9 crores in 1981-82 which marginally improved the relative share of the region in India's exports from 22.1 percent in 1980-81 to 22.9 percent in 1981-82. The share of exports to U.S.S.R., which holds a predominant position in trade with India, increased by 22.7 percent during 1981-82.

U.S.A. occupies first place in our exports. Out exports have increased from 1.8 percent in 1950-51 and 4.5 percent in 1960-61, to 13.7 percent in 1970-71, and 17.6 percent in 1982-83. Japan's share in India's export earnings increased from 1.7 percent in 1950 to 5.4 percent in 1960-61 and further to 13.3 percent in 1970-71. At present its share is 9 percent.

Iran and Iraq have jointly increased their share in India's Foreign Trade (imports) from 7.7 percent in 1970-71 to 22 percent in 1982-83 in 1981-82. First position in imports was occupied by U.S.A., second by Iran and third by U.S.S.R. Thus, the year 1982-83 shows a marked change in the direction of imports as compared to previous year.