**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**

# Bachelor Thesis

## The determinants of foreign trade development in the Republic of India

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty o fEconomics and Management

# BACHELOR THESIS ASSIGNMENT

Bc.Abel Nelson Christie

Business Administraon

Thesis title

**The determinants of foreign trade development in the Republic of India**

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**Objectives of thesis**

The main aim of the present Bachelor thesis is to identify the determinants of foreign trade development in the Republic of India. Indian economy with its average annual GDP growth rate of 5.8% over the past two decades (IMF, 2011) was considered as one of the world's fastest-growing economies. Since it is the third-largest economy by purchasing power parity (IMF, 2021), it becomes interesting to investigate how foreign trade contributed to this success over the last 30 years. To achieve the formulated main goal the following partial research questions will be stated and gradually answered:

1. Which countries were the main trade partners for India in the beginning of the analyzed period and which of them became key partners at the end (both importers and exporters)?
2. What goods constitute the bulk of foreign trade turnover in India?
3. Trade in what items had demonstrated a revealed comparative advantage over the analyzed period?
4. What is the dynamics of associated macroeconomic indicators in India?
5. What other factors are playing an important role in economic development of India?

**Methodology**

The theoretical part of the Bachelor thesis will be mainly based on a relevant literature review (represented by printed literature, scientific articles, surveys, web sources) and the research of similar studies, using methods such as abstraction, inductive reasoning, analysis, synthesis, and deduction.

The practical part will contain descriptive statistical analysis and qualitative thematic synthesis of the main economic indicators and selected for the analysis variables. Own research work will be mainly based on RCA index analysis (e.g. Balassa, Vollrath, Lafay) along with comparative techniques and statistical inference.

The results of the conducted analysis will be discussed and complemented with the author's corresponding recommendations.

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**The proposed extent of the thesis**

40-70

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**Keywords**

India, RCA, Economic growth, Economic development, Foreign trade

Recommended informa on sources


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**Expected date of thesis defence**
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**The Bachelor Thesis Supervisor** Mgr. Elena Kuzmenko, Ph.D.

**Supervising department**
Department of Economics

| Electronic approval: | Electronic approval: |
|---|---|
| **prof. Ing. Miroslav Svatoš, CSc.** | **doc. Ing. Tomáš Šubrt, Ph.D.** |
| Head of department | Dean |

Prague on 30.11.2023

**Declaration**

I declare that I have worked on my bachelor thesis titled " The determinants of foreign trade development in the Republic of India" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break any copyrights.

In Prague on 30/11/2023 ____________________________

**Acknowledgement**

I would like to thank Mgr. Elena Kuzmenko, Ph.D. for great patience, helpfulness, willingness, valuable advice, and factual comments in the preparation of this Bachelor thesis.

# The determinants of foreign trade development in the Republic of India

**Abstract**

International trade is one of the most significant ways to grow the global economy. With its aid, labor productivity is enhanced, and production output likewise rises. India's economic situation is undoubtedly impacted by foreign trade. However, India's GDP grew more quickly in the last ten years than its foreign trade did. The main aim of the present Bachelor thesis is to identify the determinants of foreign trade development in the Republic of India between the time period 1990-2020. Indian economy with its average annual GDP growth rate of 5.8% over the past two decades (IMF, 2011) was considered as one of the world's fastest-growing economies. Since it is the third-largest economy by purchasing power parity (IMF, 2021), it becomes interesting to investigate how foreign trade contributed to this success over the last 30 years. Descriptive statistical analysis and qualitative thematic synthesis of the main economic indicators will be used to analyse the determinants of foreign trade development in the Republic of India. Own research work will be mainly based on RCA index analysis (e.g. Balassa, Vollrath, Lafay) along with comparative techniques and statistical inference.

As a result, we managed to figure out which countries were the main trade partners for India in the beginning of the analyzed period and which of them became key partners at the end (both importers and exporters); what goods constitute the bulk of foreign trade turnover in India; trade in what items had demonstrated a revealed comparative advantage over the analyzed period; what was the dynamics of associated macroeconomic indicators in India; what other factors were playing an important role in economic development of India.

**Keywords:** Republic of India, Foreign trade, RCA, Economic growth, Economic development, foreign trade investment, Export, Import, Foreign trade turnover, trade partners, trading products.

# Determinanty vývoje zahraničního obchodu v Indické republice

**Abstrakt**

Mezinárodní obchod je jedním z nejvýznamnějších způsobů růstu globální ekonomiky. S jeho pomocí se zvyšuje produktivita práce a zvyšuje se i produkce. Ekonomická situace Indie je nepochybně ovlivněna zahraničním obchodem. Indický HDP však v posledních deseti letech rostl rychleji než její zahraniční obchod. Hlavním cílem této bakalářské práce je identifikovat determinanty vývoje zahraničního obchodu v Indii mezi obdobím 1990-2020. Indická ekonomika s průměrným ročním tempem růstu HDP 5,8 % za poslední dvě desetiletí (MMF, 2011) byla považována za jednu z nejrychleji rostoucích ekonomik světa. Vzhledem k tomu, že se jedná o třetí největší ekonomiku podle parity kupní síly (MMF, 2021), je zajímavé zkoumat, jak zahraniční obchod přispěl k tomuto úspěchu za posledních 30 let. Popisná statistická analýza a kvalitativní tematická syntéza hlavních ekonomických ukazatelů budou využity k analýze determinantů vývoje zahraničního obchodu v Indii. Vlastní výzkumná práce bude založena především na analýze RCA indexu (např. Balassa, Vollrath, Lafay) spolu s komparativními technikami a statistickým odvozením.

Díky tomu se nám podařilo zjistit, které země byly na začátku analyzovaného období hlavními obchodními partnery pro Indii a které z nich se nakonec staly klíčovými partnery (dovozci i vývozci), jaké zboží tvoří převážnou část obratu zahraničního obchodu v Indii; obchod v tom, co ukázalo komparativní výhodu v analyzovaném období; jaká byla dynamika souvisejících makroekonomických ukazatelů v Indii; jaké další faktory hrály důležitou roli v hospodářském rozvoji Indie.

**Klíčová slova:** Indická republika, Zahraniční obchod, RCA, Hospodářský růst, Hospodářský rozvoj, investice zahraničního obchodu, Export, Import, Obrat zahraničního obchodu, obchodní partneři, obchodní produkty.

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# List of abbreviations

EXIM - Export-Import

OECD - Organization for Economic Co-operation and Development

OPEC - Organization of Petroleum Exporting Countries

GDP - Gross Domestic Product

AFTA - ASEAN Free Trade Agreement

ASEAN - Association of Southeast Asian Nations

CEPA - Comprehensive Economic Partnership Agreement

WTO - World Trade Organization

GATT - General Agreement on Tariffs and Trade

GATS - General Agreement on Trade in Services

EU - European Union

PPP - Purchasing Power Parity

NSO - National Statistical Office

FDI - Foreign Direct Investment

WPI - Wholesale Price Index

RCEP - Regional Comprehensive Economic Partnership

# 1 Introduction

International trade is one of the most significant ways to grow the global economy. With its aid, labor productivity is enhanced and raised, and production output likewise rises.

In July 1991, the Indian government made strong moves by adopting reforms, particularly in the areas of industrial, trade, and fiscal policy. The goal of the trade policy reforms was to establish the conditions for a quick increase in exports, enhance India's export market share, and find a long-term solution to the balance of payments crisis. To achieve this, the Export-Import (EXIM) Policy underwent substantial adjustments, and steps were taken to boost exports for various countries and commodities. Discussion about the function of foreign commerce in the growth of economies, trends in Indian foreign trade, and the nature and pattern of exports and imports will be discussed in this unit. The difficulties India's overseas trade had faced will also be discussed. However, there has been change in the nations that India trades with. India's exports over the previous nine fiscal years have been split roughly equally between two sets of nations: the industrialized OECD (Organization for Economic Co-operation and Development) countries and the OPEC emerging markets (Organization of Petroleum Exporting Countries).

Comparatively, barely 15% of India's imports today come from OPEC, compared to nearly 60% from the OECD countries three decades ago. Eight percent of imports at the time were from Eastern Europe, while 18 percent were from underdeveloped nations. For Eastern Europe, the corresponding ratios are currently just 2%, whereas developing nations have a startling 37%. In this context, it is evident that issues pertaining to the Eastern Block were largely influenced by the fall of the Soviet Union. On the other hand, imports from developing nations often consist of manufactured items from China and other burgeoning economic powers, as well as products from the least developed nations

India's economic situation is undoubtedly impacted by foreign trade. However, India's GDP grew more quickly in the last ten years than its foreign trade did. When measured as a percentage of GDP, trade reached its highest point in the fiscal year 2012/13, but it has subsequently dropped to around 30% in 2017/18. Neither the global financial crisis that began in 2008 nor the recent slowdown of emerging countries significantly affected India's economy. Even when the world economy slowed down, domestic growth remained robust.

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[1] *International Monetary Fund, India: Recent economic development. 1997 p. 1*

# 2 Objectives and Methodology

## 2.1 Objectives

The main aim of the present Bachelor thesis is to identify the determinants of foreign trade development in the Republic of India between the time period 1990-2020. Indian economy with its average annual GDP growth rate of 5.8% over the past two decades (IMF, 2011) was considered as one of the world's fastest-growing economies. Since it is the third-largest economy by purchasing power parity (IMF, 2021), it becomes interesting to investigate how foreign trade contributed to this success over the last 30 years. To achieve the formulated main goal the following partial research questions will be stated and gradually answered:

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## 2.2 Methodology

The theoretical part of the Bachelor thesis will be mainly based on a relevant literature review (represented by printed literature, scientific articles, surveys, web sources) and the research of similar studies, using methods such as abstraction, inductive reasoning, analysis, synthesis, and deduction.

The practical part will contain descriptive statistical analysis and qualitative thematic synthesis of the main economic indicators and selected for the analysis variables. Own research work will be mainly based on RCA index analysis (e.g. Balassa, Vollrath, Lafay) along with comparative techniques and statistical inference.

# 3 Literature Review

## 3.1 Overview of the foreign trade

An exchange between two or more nations is referred to as foreign trade. Most of the international trade involves the buying and selling of goods. Transport, insurance, and other services might be bought and sold between nations, nevertheless. It is said as international trade when all these connections are formed outside of the national borders.

International trade is the most important component of global economic ties. The relevance of international trade to the national economy may be seen particularly in fields where it permits the importation of goods, services, and money that the nation cannot produce for a variety of reasons. Because of this, a nation can participate in the global division of labor to a large extent and specialize in the field for which it has the best conditions. It is possible to compare one's own output to that of the rest of the world by learning about the goods and services produced in other nations. According to the idea of comparative advantage, international trade increases a country's consumer alternatives while utilizing the same inputs of production. International trade grows the market.

From the very beginning to the present, there have been numerous relationships between nations. The business relationships that demonstrate the purchase and selling of things are the longest lasting of these. Foreign trade has evolved into economic connections as a result of significant advancements in international transportation, communication, and other industries (through political and economic developments). Foreign commerce and economic interactions should not be confounded, though. Economic relations and foreign trade include significant foreign trade components; therefore people often confuse the two ideas. Even if economic links are intermittent or broken, it is always possible to maintain trade relations between nations.

Despite the advantages of more efficient production, countries that engage in international trade may be able to encourage foreign direct investment, which refers to the sum of money invested in foreign companies and other assets. It is a technique for letting foreign capital and specialized knowledge to enter a nation's economy, enabling it to grow more successfully, become more competitive on the market, and provide more income, GDP growth, and jobs.

### 3.1.1 Several factors that determine foreign trade in India

1. Economic policies: Tariffs, trade agreements, and regulations governing foreign investment can all have a significant impact on a nation's level of international commerce.
2. Infrastructure: For the efficient movement of imports and exports, adequate infrastructure, such as ports, highways, and logistics, is required.
3. Demographic factors: The demand for imported goods might rise in big populations with a developing middle class.
4. Natural resources: India is a desirable market for international trade due to its wealth of natural resources, including minerals and agricultural goods.
5. Political stability: A nation's political climate can influence investor confidence, which boosts international trade.
6. Currency fluctuations: The cost of imports and exports might vary depending on the value of the rupee, which can have an impact on international trade.
7. Global economic conditions: India's foreign commerce is strongly correlated with these conditions and is susceptible to variables like recessions and shifts in global demand for goods and services.

1. Economic policies: Tariffs, trade agreements, and regulations governing foreign investment can all have a significant impact on a nation's level of international commerce.
The volume of international trade in a nation can be significantly impacted by economic policies implemented by the government, such as trade agreements and tariffs. Trade agreements can open new markets and lower trade barriers, yet tariffs, or taxes on imported goods, can raise the price of imports, and make them less affordable and competitive with domestic goods. By influencing the ease of conducting business and the quantity of investment in a nation, foreign investment regulations can also have an impact on the volume of international trade.

[2] *Ahluwalia, M. S. (2002). Economic reforms in India since 1991, Indian Trade Portal*

2. Infrastructure: For the efficient movement of imports and exports, adequate infrastructure, such as ports, highways, and logistics, is required.

The seamless movement of imports and exports depends on adequate infrastructure, including ports, airports, highways, and logistics. A country's export competitiveness can be increased by lowering costs and enabling swift and efficient movement of commodities to and from ports, airports, and other trade centers through a well-developed transportation network. When it comes to making sure that items can be kept and transported to their destination in an effective manner, logistics infrastructure, such as warehousing and distribution facilities, also play a critical role.

3. Demographic factors: The demand for imported goods might rise in big populations with a developing middle class. The amount of foreign commerce in a nation can be affected by demographic factors including population size and income levels. A expanding middle class can boost demand for imported luxury goods and other non-essential things, while a big population can enhance demand for both native and imported goods. A population's tendency to buy more products and services that can be imported rises with income. Imports and international trade may rise as a result of this.

4. Natural resources: India is a desirable market for international trade due to its wealth of natural resources, including minerals and agricultural goods. Natural resources, such as minerals and agricultural goods, can influence a nation's degree of international trade. As it can export these resources to other nations, a nation with an abundance of natural resources, like India, might be a desirable market for international trade. India has a wealth of natural resources, including grains like wheat and rice as well as minerals like coal and iron ore. These resources can be exported, bringing in money and boosting international trade. The nation's natural resources can also draw foreign investment to sectors like agriculture and mining.

5. Political stability: A nation's political climate can influence investor confidence, which boosts international trade. The degree of foreign trade in a country can be influenced by its political stability. Investor confidence can rise in a politically stable environment since it makes it less likely that commerce and business will be disrupted. Due to investors' increased willingness to invest in a stable political environment, this may result in an increase in

international investment and commerce. On the other hand, political unrest can engender uncertainty, deter foreign investment, and reduce international trade.

6. Currency fluctuations: The cost of imports and exports might vary depending on the value of the rupee, which can have an impact on international trade. The amount of international trade might vary depending on currency movements. Currency fluctuations can have an impact on import and export prices since a lower currency can make exports more affordable and competitive on the international market, while a stronger currency can raise import prices. Because changes in exchange rates can alter the value of assets and obligations denominated in other currencies, currency fluctuations can also have an impact on how profitable international trade is.

A weaker currency can increase export prices and worldwide competitiveness, but it can also raise import costs. As a result, it might boost homegrown manufacturing and cut imports, which might cut down on foreign commerce. On the other side, a stronger currency may make imports more affordable while also increasing the cost and decreasing the competitiveness of exports. This may lead to higher imports and lower exports, which may lead to higher international commerce.

7. Global economic conditions: India's foreign commerce is strongly correlated with these conditions and is susceptible to variables like recessions and shifts in global demand for goods and services (International Economics). The degree of foreign trade of a nation can depend on the state of the global economy. Since changes in the world economy can have an impact on demand for India's exports and imports, changes in the global economy are directly related to the country's foreign trade. For instance, a worldwide recession can reduce the demand for products and services, which will reduce international trade. Indian exports may also be impacted by shifts in international demand for goods and services. Exports from India may rise, for instance, if there is a rise in demand for a particular good or service in another nation. Conversely, a decline in demand for a particular good or service in another nation may result in a reduction in India's exports.

[3] *Hardeep Singh Puri |FEBRUARY 2017| India's Trade Policy Dilemma and the Role of Domestic Reform*

*By Harsh V. Pant | June 2011|CHINA AND INDIA: A RIVALRY TAKES SHAPE, Anantaram, R. and Mohammed, S. (2010). The People's Republic of China's Manufacturing sector since 1978*

## 3.2 Foreign trade agreements and organizations

### 3.2.1 Agreements of Indian foreign trade

- India- ASEAN Free Trade Agreement (AFTA): It was signed in 2003 and calls for the lowering and removal of tariffs on commodities exchanged between India and the ASEAN nations.( India’s International Trade Policy)
- India- South Korea Comprehensive Economic Partnership Agreement (CEPA): it encourages bilateral commerce in commodities, services, and investments. inked in 2010.
- India- Japan Comprehensive Economic Partnership Agreement (CEPA): The agreement, which was signed in 2011, calls for the removal or reduction of tariffs on the majority of traded products and services.
- India-Australia Comprehensive Economic Cooperation Agreement (CEPA): inked in 2011, it intends to increase bilateral investments and commerce.
- India- Mercosur Preferential Trade Agreement: inked in 2004, it calls for lowering tariffs on a number of products exchanged between India and the Mercosur trade bloc in South America.

These accords have aided India in boosting its international trade and luring foreign capital.

### 3.2.2 India- ASEAN Free Trade Agreement (AFTA)

The 10-member Association of Southeast Asian Nations and India signed the India-ASEAN Free Trade Agreement (AFTA) in 2003. (ASEAN). By lowering and removing tariffs on commodities exchanged between India and ASEAN, the pact seeks to foster trade and economic cooperation between the two areas. Trade between businesses is made simpler by the elimination of tariffs on more than 80% of traded items under AFTA. As a result, there has been a rise in commerce between India and ASEAN, which has aided in the expansion of both nations' economies. Trade between India and ASEAN still faces some obstacles, such as a lack of physical connectivity, non-tariff barriers, and complicated laws. Both parties are working hard. Both parties are making an effort to resolve these issues and strengthen their economic partnership. ( India’s International Trade Policy)

### 3.2.3 India- South Korea Comprehensive Economic Partnership Agreement (CEPA)

India and South Korea signed the Comprehensive Economic Partnership Deal (CEPA), a bilateral trade agreement, in 2010. The agreement eliminates or lowers tariffs on the bulk of traded goods and services in order to enhance trade and economic cooperation between the two nations. It is now simpler for businesses from both nations to conduct business with one another because to the elimination of tariffs on more than 80% of the goods that are traded between India and South Korea under CEPA. As a result, there has been an increase in investments and trade between the two nations. Cooperation in areas including services, investments, and intellectual property rights is also made possible through CEPA. The pact has played a key role in diversifying commerce between South Korea and India. Korea and has played a significant role in strengthening their economic relationship. ( India's International Trade Policy)

### 3.2.4 India- Japan Comprehensive Economic Partnership Agreement (CEPA)

A bilateral trade agreement known as the India-Japan Comprehensive Economic Partnership Agreement (CEPA) was signed between India and Japan in 2011. The agreement intends to advance bilateral trade and investment between the two nations and strengthen economic cooperation between them. CEPA makes it simpler for businesses from both nations to trade with one another by eliminating or reducing tariffs on the bulk of goods and services that are traded between India and Japan. As a result, there has been an increase in investments and trade between the two nations. Cooperation in areas including services, investments, and intellectual property rights is also made possible through CEPA. The agreement has been significant in broadening trade between India and Japan and in fostering the two countries' economic ties. The Delhi-Mumbai Industrial Corridor and the Chennai-Bengaluru Industrial Corridor are two infrastructural projects in India on which the two nations have collaborated. ( India's International Trade Policy)

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[4] *World Integrated Trade Solution, 2021. Indian trade balance. [Online] Available at: https://wits.worldbank.org/CountryProfile/en/Country/KAZ/Year/2011/TradeFlow/EXPIM P*

[5] *Indian Trade Portal, 2015, Portal of foreign trade of the Republic of India. Available at:*

*https://www.indiantradeportal.in/index.jsp?lang=0*

### 3.2.5 Australia Comprehensive Economic Cooperation Agreement (CEPA)

India and Australia signed the Comprehensive Economic Cooperation Deal (CECA), a bilateral trade agreement, in 2011. The agreement intends to advance bilateral trade and investment between the two nations and strengthen economic cooperation between them. It is now simpler for businesses from both nations to trade with one another because to CECA, which has abolished or lowered tariffs on the majority of goods and services exchanged between Australia and India. As a result, there has been an increase in investments and trade between the two nations. Collaboration is also made possible by CECA in areas including services, investments, and intellectual property rights. The deal has significantly strengthened relations between India and Australia and helped to diversify their commerce. The two nations have been collaborating on a number of projects, including ones involving mining, energy, and education. (India's International Trade Policy)

### 3.2.6 India- Mercosur Preferential Trade Agreement

Preferential Trade Agreement between India and Mercosur. India and the South American trading group Mercosur, which comprises nations including Argentina, Brazil, Paraguay, and Uruguay, signed the India-Mercosur Preferential Trade Agreement in 2004. The agreement calls for a list of items that are traded between India and Mercosur to have their tariffs reduced. India and Mercosur both decreased their tariffs under the agreement on a variety of products, including industrial, textile, and agricultural goods. This has facilitated trade between businesses in the two areas and contributed to the diversification of trade between India and Mercosur. Due to a number of technical and political difficulties, including worries about market access and non-tariff barriers, the agreement has not yet been completely implemented. Both parties are working to overcome these obstacles and strengthen the economic ties between India and Mercosur. ( India's International Trade Policy)

### 3.2.7 World Trade Organization

The World Trade Organization (WTO) is an intergovernmental body that governs and promotes cross-border trade among its member nations. Since its founding in 1995, it has expanded to include 164 member nations. By establishing regulations for international commerce and settling disputes amongst its members, the WTO aims to advance free and fair trade. ( India’s International Trade Policy)

The General Agreement on Tariffs and Trade (GATT) and the General Agreement on Trade in Services (GATS) are the two most significant agreements that form the foundation of the World Trade Organization (WTO) (GATS). The regulations for market access, government subsidies, and intellectual property rights are outlined in these accords, which cover the trade of products and services, respectively. The WTO serves as a venue for negotiating both new and updated trade agreements. ( India’s International Trade Policy)

The World Trade Organization (WTO), an international body that governs and promotes trade among its member nations, includes India as one of its members. The WTO provides a platform for negotiating new trade agreements, establishes guidelines for international trade, and settles disputes between its members. India became a member of the WTO in 1995, and since then has actively participated in all aspects of the organization's operations, including trade negotiations, submission of trade policy evaluations, and dispute settlement hearings. India has agreed to abide by the WTO's rules and principles as a member, which support free and fair trade and serve to level the playing field for all countries. ( India’s International Trade Policy)

India's economy benefited from various factors after joining the World Trade Organization (WTO) in 1995: ( India’s International Trade Policy)

- Trade increased as a result of India's WTO membership, which gave it access to a bigger market and made it simpler for it to sell goods and services and draw in international investment. This promoted economic expansion and new employment growth.
- Better market access: The WTO's rules and regulations have made it easier for Indian businesses to compete internationally by improving market access for Indian goods in other nations.
- Increased international investment: The WTO's rules and regulations helped India attract more foreign investment, providing the nation with much-needed funding for growth. These rules and regulations offer predictability and stability.
- Enhanced economic growth: Trade and investment rose as a result of India's WTO membership, which raised living standards and decreased poverty in the nation.

- Increased competitiveness: India has been able to strengthen the competitiveness of its goods and services by adhering to WTO norms and regulations, which has helped to boost exports and add new jobs.
- Access to information and technology: India's WTO membership has given it access to the most up-to-date knowledge and technology, enhancing the competitiveness of its businesses and promoting economic growth.

### 3.2.8 India Foreign Trade with European Countries

India has close commercial and trade links with numerous European nations, including the Netherlands, Germany, France, Italy, and the United Kingdom. Exports of Indian goods like textiles, medicines, and IT services, as well as imports of European items like machinery, chemicals, and cars, are the main drivers of bilateral commerce between India and these nations. (India’s International Trade Policy)

Several agreements, like the India-European Economic Partnership Agreement, have been inked to further boost trade and economic cooperation between India and Europe.

Numerous accords, like the ongoing India-European Union Free Commercial Agreement, have been signed to improve trade and economic cooperation between India and Europe. With specific European nations including the United Kingdom, France, and Belgium, India has also inked Comprehensive Economic Partnership Agreements (CEPA), which call for the removal or reduction of tariffs on traded goods and services. These accords have significantly strengthened the economic ties between India and Europe by facilitating more commerce and investment between the two continents. To support equitable and sustainable growth, India and Europe are also collaborating on a number of projects in sectors including clean energy, climate change, and innovation.

India and the European Union (EU), which has 27 members, have a significant trading relationship. With a total of more than $100 billion in annual bilateral commerce, the EU is one of India's top commercial partners. The primary imports from the EU into India are in the form of machinery, chemicals, and vehicles, while the primary exports from the EU to India include textiles, pharmaceuticals, and information technology services.

Negotiations for a comprehensive Free Trade Agreement between the two regions are taking place in order to improve trade and economic cooperation between India and the EU. With

this agreement, tariffs on goods and services exchanged between India and the EU will be decreased, and market access will be improved. India has linked Comprehensive Economic Partnership Agreements (CEPA) with specific EU nations like the United Kingdom, France, and Belgium in addition to the continuing FTA negotiations, which call for the removal or reduction of tariffs on traded goods and services. (India’s International Trade Policy)
These accords have significantly strengthened the economic ties between the EU and India by facilitating more trade and investment between the two parties. To support equitable and sustainable growth, India and the EU are also collaborating on a number of projects in sectors including clean energy, climate change, and innovation. (India’s International Trade Policy)

## 3.3 Rise of Indian Foreign trade over 30 years

There are several reasons why India's overseas commerce has increased during the past 30 years, including:

- Economic Reforms: To liberalize and open up the economy, including lowering barriers to foreign trade and investment, the Indian government implemented economic reforms in the 1990s. This improved the business environment and encouraged the expansion of exports.
- Growing Industries: India has experienced substantial expansion in important industries like information technology and pharmaceuticals, which are now major export-drivers for the nation.
- Globalization: As commerce plays a bigger part in the country's economic development, India has been more and more incorporated into the world economy
- There are several reasons why India's overseas commerce has increased during the past 30 years, including:
- Infrastructure Improvements: The Indian government has made investments to upgrade the nation's communications and transportation networks, making it simpler for companies to conduct international business.
- An increase in consumer demand has been observed for both domestically produced goods and services as well as those offered abroad as a result of India's developing middle class and burgeoning economy.

Over the past 30 years, a combination of these factors has increased India's foreign commerce, with exports becoming more and more crucial to the country's economic growth.

### 3.3.1 India's foreign trade substantial changes

Over the past 30 years, India's foreign trade has seen substantial changes, with an increased emphasis on exports and increased connectivity with the global economy.

India started adopting economic reforms in the 1990s with the goal of liberalizing and opening up the economy of the nation, including lowering barriers to foreign trade and investment. Exports have increased as a result, especially in industries like information technology and pharmaceuticals.

India has increased its exports and established itself as a prominent player in international trade in recent years as it has expanded its foreign trade. India's trade, however, has also encountered difficulties, such as persistent trade tensions between major economies, global economic slowdowns, and increased competition from other nations.

Overall, India's international commerce has been a significant contributor to the nation's economic growth and development and is projected to keep playing a significant role in the years to come.

### 3.3.2 Foreign trade difficulties in India

India has experienced a variety of difficulties during the past 30 years despite the general growth of its overseas commerce, including:

- Global Economic Slowdowns: As the demand for exports has decreased and international trade has become more challenging, the global economic slowdowns have had an impact on India's foreign trade.
- Rivalry from Other Countries: India has seen an increase in competition from other nations, notably in industries like manufacturing where nations like China have made significant inroads.
- Trade Disputes: Because they have induced uncertainty and upended global supply chains, ongoing trade tensions between major economies, especially the US and China, have harmed India's international trade.

- Infrastructure Restrictions: India continues to confront serious infrastructure restrictions, such as inadequate transportation and communication systems, which can make it challenging for companies to conduct international business.
- Proliferating protectionist policies in some nations have increased trade barriers and decreased demand for products from nations like India.
- Laws and Restrictions: A number of regulations and restrictions, such as tariffs and quotas, continue to apply to India's trade, which can make it more challenging for companies to conduct business abroad.

The expansion of India's overseas trade has occasionally been hampered by these issues, but the nation has continued to boost its exports and economic integration.

### 3.3.3 Foreign trade regulations in India

Over the past 30 years, the Indian government has put in place a number of initiatives to encourage foreign trade, such as:

- Economic Reforms: To liberalize and open up the economy, lessen barriers to foreign trade and investment, and improve the business climate, the Indian government has enacted economic reforms.
- Export Promotion: The government has put in place a number of policies to encourage exports, including trade promotion initiatives, export financing, and tax advantages.
- Infrastructure Investment: To make it simpler for companies to conduct international business, the government has made investments to upgrade the nation's transportation and communication infrastructure.
- Free Trade Agreements: India has a number of free trade agreements in place with other nations, which have lowered trade restrictions and made it simpler for companies to conduct international business.
- Trade Promotion Organizations: To aid businesses in navigating the intricacies of international trade and to promote Indian goods overseas, the government has formed a variety of trade promotion organizations.

Over the past 30 years, the expansion of India's exports has been significantly attributed to these measures, which have contributed to improving the business climate for international trade in India.

## 3.4 India's Movement to Ban China

The "Ban China" movement in India is a growing trend among some segments of Indian society that calls for a trade embargo on China and a boycott of Chinese products. Concerns over China's influence in the region, border conflicts between the two nations, and China's military and economic growth have all contributed to this sentiment.

The "Ban China" movement has gained strength in recent years, with more people calling for a boycott of Chinese products and an end to trade with China. But not everyone shares this opinion; some contend that commerce with China is crucial for India's economic development and that a boycott would be harmful to the country.

It's yet unknown how much of an impact the "Ban China" movement will have on India's international trade, and how much support it will continue to enjoy, despite the rising enthusiasm in favor of a boycott of Chinese goods.

### 3.4.1 Effects of the anti-China movement

The "Ban China" movement's effect on India's international trade is unclear and may be influenced by a variety of variables. On the one hand, the campaign could harm the Indian economy by decreasing the supply of some commodities and driving up prices if it receives broad support and leads to a major decrease in imports of Chinese goods. Additionally, it might reduce the competitiveness of Indian businesses that depend on Chinese input imports to function.

However, if the movement results in a change in trade toward other nations and a rise in local production of specific items, it may benefit the Indian economy by increasing employment and domestic production of certain goods and creating new opportunities for growth.

In the end, how the "Ban China" movement affects India's international commerce will depend on a variety of variables, including how much support it receives, how well Indian firms can adjust to a decline in imports, and how other nations and businesses react to the changes in trade. Additionally, it will depend on how the Indian government feels about trade with China and what steps it takes to encourage or stifle the movement.

## 3.5 Indian Import with other countries

India brings in a vast variety of products and services from across the world. China, the United States, the United Arab Emirates, Saudi Arabia, and Switzerland are a few of the biggest importers. Machinery, chemicals, petroleum and petroleum products, electronic goods, and medical equipment are some of the primary product categories that India imports. In order to support its expanding manufacturing sector, India also imports raw materials and intermediate goods. India imports a sizable amount of services, such as financial, commercial, and software services, in addition to goods. India's economy grows as a result of the services imports, which enable it to meet its domestic demand for high-end services. India's developing economy, rising consumer demand, and the requirement for raw materials and intermediate goods to support its industrial sector all contribute significantly to the country's imports. To encourage imports and improve its commercial connections with other nations, the nation has undertaken a number of initiatives.

## 3.6 Indian Export with other countries

India is one among the world's top exporters of goods and services, sending a vast variety of things to different nations all over the world. The United States, China, the United Arab Emirates, Bangladesh, and the United Kingdom are a few of the top countries to which Indian commodities are exported.( The World Bank Development Research Group Trade)

India exports a variety of products, but its primary exports are textiles, medicines, engineering products, and information technology services. Additionally, rice, wheat, and spices are among the many agricultural goods that India exports. India exports a lot of goods, but it also exports a lot of services, such as business, financial, and software services. Due to the rising demand for high-end services globally and India's expanding middle class, service exports have been expanding quickly in recent years. India's exports are essential to its economic development and job creation. A variety of measures have been put into place by the nation to encourage exports, boost competitiveness, and increase international trade connections. (The World Bank Development Research Group Trade)

## 3.7 Indian foreign trade related to unemployment.

India's international commerce may have an effect on the unemployment rate there. Increasing exports can result in the development of new jobs, particularly in industries that export goods and services as well as adjacent sectors that supply the raw materials for these exports. Particularly in rural areas where employment possibilities are frequently scarce, this can aid in lowering unemployment. On the other side, a rise in imports may result in job losses, particularly in sectors that are already under pressure from an increase in the competition from imported goods and services. Higher unemployment may arise from this, particularly in industries like textiles, steel, and machinery that are more susceptible to import competition.

Therefore, depending on the specific sectors and regions involved, the effect of international trade on unemployment in India can be both good and bad. To guarantee that the positive effects of trade are more evenly spread and that the detrimental effects on unemployment are reduced, the government and other stakeholders in India are actively trying to encourage exports, increase competitiveness, and develop the skills of the workforce.

## 3.8 Dynamics of associated macroeconomic indicators in India.

In India, a variety of factors, such as domestic demand, investment, trade, monetary and fiscal policy, influence the dynamics of macroeconomic indicators. Indicators of the macroeconomic health of India's economy include: (Trading Economics)

- Gross Domestic Product (GDP), which reflects the entire value of goods and services generated, is the main indicator of overall economic activity in the nation.
- Inflation is a key component in determining India's monetary policy because it measures how quickly prices are rising.

- Employment is a key indication of economic activity, consumer spending, and general economic health since it represents the situation of the labor market.
- Foreign Exchange Reserves: This metric gauges the amount of foreign currency kept by the central bank and acts as a key barometer of a nation's economic health and resilience to shocks.
- An important indicator of a country's trading situation and general competitiveness is the balance of trade, which calculates the difference between the value of exports and imports.
- Interest rates: These set the cost of borrowing and have a big impact on how much money people decide to invest and spend.
- Government debt, which indicates how much money the government owes its creditors, plays a crucial role in determining fiscal policy and the health of the economy as a whole.

These macroeconomic indicators' movements in India are influenced by a complex web of internal and external variables, including shifts in consumer behavior, investment trends, and the state of the world economy. Indicators like inflation, public debt, and the trade balance are issues that the Indian government and central bank actively address while simultaneously implementing policies to support economic growth, stability, and job creation.

*Table 1 Macroeconomic indicators in India*

| | Last | Previous | Highest | Lowest | | |
|---|---|---|---|---|---|---|
| **Currency** | 83.33 | 83.34 | 83.49 | 0.63 | | Nov/23 |
| **Stock Market** | 65970 | 66018 | 67927 | 113 | points | Nov/23 |
| **GDP Growth Rate** | 1.9 | 2.1 | 22.6 | -22.5 | percent | Jun/23 |
| **GDP Annual Growth Rate** | 7.8 | 6.1 | 21.6 | -23.2 | percent | Jun/23 |
| **Unemployment Rate** | 7.1 | 8.1 | 23.5 | 6.4 | percent | Sep/23 |
| **Inflation Rate** | 4.87 | 5.02 | 12.17 | 1.54 | percent | Oct/23 |
| **Interest Rate** | 6.5 | 6.5 | 14.5 | 4 | percent | Oct/23 |
| **Cash Reserve Ratio** | 4.5 | 4.5 | 10.5 | 3 | percent | Nov/23 |
| **Balance of Trade** | -31.46 | -19.37 | 0.71 | -31.46 | USD Billion | Oct/23 |
| **Current Account** | -9195 | -1336 | 19083 | -31857 | USD Million | Jun/23 |
| **Current Account to GDP** | -2.6 | -1.2 | 2.3 | -4.8 | percent of GDP | Dec/22 |
| **Government Debt to GDP** | 89.26 | 89.41 | 89.41 | 47.94 | percent of GDP | Dec/21 |
| **Government Budget** | -6.44 | -6.72 | -2.53 | -9.18 | percent of GDP | Dec/22 |
| **Business Confidence** | 135 | 132 | 139 | 96.4 | points | Dec/23 |
| **Manufacturing PMI** | 55.5 | 57.5 | 58.9 | 27.4 | points | Oct/23 |
| **Services PMI** | 58.4 | 61 | 62.3 | 5.4 | points | Oct/23 |
| **Consumer Confidence** | 92.2 | 88.1 | 117 | 48.5 | points | Sep/23 |
| **Corporate Tax Rate** | 34.94 | 25.17 | 38.95 | 25.17 | percent | Dec/22 |
| **Personal Income Tax Rate** | 42.74 | 42.74 | 42.74 | 30 | percent | Dec/22 |

*Source 1Trading Economics*

# 4 Practical Part

## 4.1 Indian Economy

India has a mixed economy with a significant state-owned public sector and a quickly expanding private sector. By nominal GDP, it is the seventh-largest economy in the world, and by purchasing power parity, it is the third largest. A number of reasons, such as a growing population, increased urbanization, and the expansion of the technology and service sectors, have contributed to India's economic growth. India nevertheless faces difficulties like pervasive poverty, significant unemployment, and a lack of infrastructure despite these positives. To address these problems and encourage additional economic growth, the government has enacted a number of changes, but in certain cases, progress has been slow.

Foreign trade had a role in the Indian economy's expansion between 1990 and 2000 as the nation liberalized its trade laws and became more open to the outside world. India lowered trade restrictions during this time, making it simpler for international corporations to conduct business there. This aided in boosting exports and luring in foreign investment, which in turn sparked the growth of important industries like technology and services and the creation of new jobs.

In addition, the Indian government promoted the growth of new industries that would be well-suited to benefit from opportunities in international commerce, such as software and information technology. The development of these sectors contributed to the nation's overall economic growth and raised many Indians' standards of life.

In conclusion, the rise of new industries and the liberalization of international commerce both contributed to the expansion of the Indian economy between 1990 and 2000. The growing competition and the requirement to enhance infrastructure and the general business environment in order to preserve competitiveness, however, presented additional difficulties.

### 4.1.1 Indian GDP and GDP Growth Rate

GDP at purchaser's prices is calculated as the total of all resident producers' gross value added, plus any applicable product taxes, minus any subsidies not reflected in the price of the goods. It is estimated without considering the deterioration and depletion of natural resources or the depreciation of manufactured assets. Data are presented in current US dollars. The GDP figures are converted to dollars using official exchange rates for one year. An alternate conversion factor is utilized for a select few nations where the official exchange rate does not accurately represent the rate actually applied to actual foreign exchange transactions.

The total market value of all the goods and services produced in India during a specific time period is known as the Gross Domestic Product (GDP). India's economy was the third largest in the world in terms of nominal GDP and purchasing power parity as of 2021. (PPP). The COVID-19 pandemic had an impact on the Indian economy in 2020, which caused a fall in economic activity despite previous stable development. The Indian government has put in place a number of initiatives to boost the economy, and in the upcoming years, a recovery is anticipated.

Based on constant local currency pricing, the annual percentage growth rate of the GDP. The aggregates are calculated using constant 2010 US dollars. The total gross value contributed by all producers who are citizens of the economy is used to calculate GDP, along with any relevant product taxes and any unrecognized subsidies. It is estimated without taking into account how quickly natural resources deteriorate and run out or how quickly manufactured assets depreciate. How to calculate GDP:

$$GDP = C + I + G + X - M \qquad (1)$$

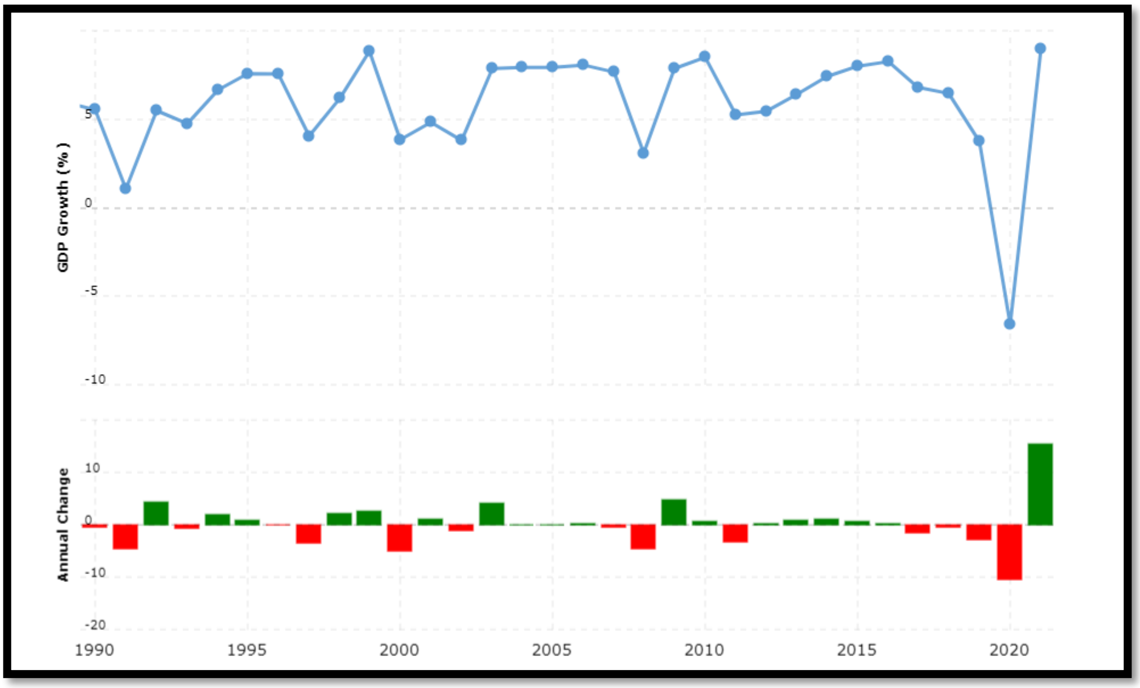
Where:

- C = Consumer expenditure
- I = Investment expenditure
- G = Government expenditure
- X = Total exports
- M = Total imports

As from the graph below, the GPD growth between the period 1990 to 2022 clearly state that it has decreased as covid hit India in year 2020. In comparison, Year 1991 GDP growth rate was close to touch ground zero, but improved and has managed to either remain constant or increased. Major difference can be seen in starting of the graph where graph is close to touch zero and then in year 1998 is increasing by nearly 9% and then again got hit in year 2008 and decreased by 5.5%.

According to preliminary projections made public by the National Statistical Office (NSO), the Indian economy will have fully recovered to the real GDP level of 2019–20 prior to the epidemic by 2021–2022. The real GDP growth rate for 2021–2022 is 8.7%, which is 1.5% higher than the real GDP growth rate for 2019–20.

*Graph 1 INDIAN GDP GROWTH FROM 1990-2020*




*Source 2 Macrotrends.net*

### 4.1.2 Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) is a kind of investment made into a business or firm located in another country by a company or individual from one country. The goal of FDI is to create a long-term stake in the foreign business, often by purchasing a sizeable ownership or control stake.

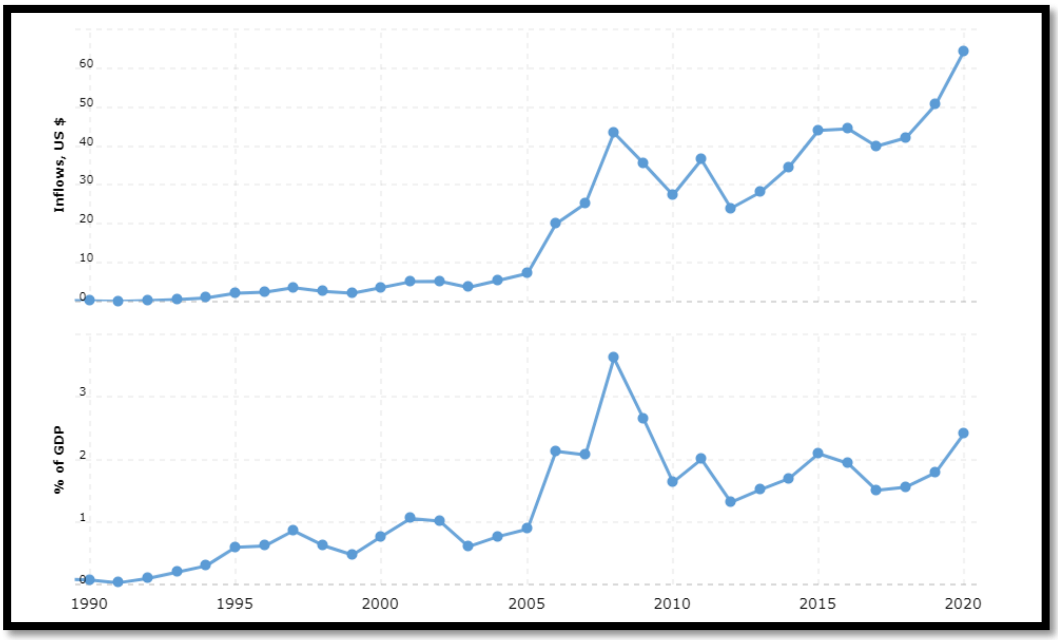
FDI can take many different forms, such as starting a new firm, buying an existing one, or purchasing foreign corporations' stocks or bonds. The foreign investor has the ability to engage in corporate management and have an impact on decisions and operations.

The host nation may gain from FDI in a number of ways, including the creation of new jobs, the transfer of technology, a rise in exports, and access to new markets. However, FDI can also have unfavourable effects, including rivalry for domestic businesses, social and cultural changes, and loss of control over important industries.

Many governments, including those in India, have policies in place to control and promote FDI. These regulations frequently include limitations on particular industries, ceilings on ownership percentages, and specifications for local sourcing and knowledge transfer.

India allows foreign direct investment (FDI) in several industries, including manufacturing, services, infrastructure, and technology, with specific restrictions and with government approval. In order to draw more investment and accelerate economic growth, the Indian government has recently liberalized and streamlined its FDI laws. India welcomed $70.3 billion in FDI inflows in 2020–21.

*Graph 2 Foreign Direct Investment from 1990-2020*




*Source 3 Macrotrends.net*

### 4.1.3 Indian Inflation rate

The average increase in prices of goods and services during a given time period is referred to as inflation, and it is often stated as a percentage. Inflation that is too high can erode the purchasing power of money and have detrimental impacts on the economy, including slower development and higher volatility. On the other side, low inflation may be a sign of weak demand and a flagging economy. The Reserve Bank of India, the country's central bank, set a target range for inflation, which the Indian government seeks to maintain.

India's inflation rate as of February 2023 is at 4.0%. It's crucial to remember that inflation can fluctuate and alter over time depending on several variables, including supply and demand, governmental policies, and general economic conditions. The Reserve Bank of India keeps a careful eye on inflation and adjusts interest rates as necessary to keep prices stable.

Over the past few decades, the Indian government has implemented several initiatives to reduce inflation. Monetary policy, agricultural reforms, price controls, fiscal reforms, and trade liberalization are a few of the key initiatives.

It's significant to note that these controls on inflation have had varying degrees of success, and the government of India continues to struggle with inflation in the country. The government keeps a close eye on the issue with inflation and takes the necessary actions to keep prices stable.

As per the below graph, it is clear that the inflation rate from past 30 years has decreased from nearly 9% to around 5%. In the year 1991-1992 the inflation rate had reached to the peak which is 14% and decreased again to nearly 6% in 1994. And again in 1998 it reached at nearly 13% and dropped around 4.5% in 1999. After the drop the inflation rate was nearly steady for 7 years around 4%. After 2005 it again started raising and reached to 12% in 2010. And kept decreasing till 2017 around 3% and stayed steady for three years and rise to 7% in 2020.

Even though in the Covid period the inflation rate did not rise more than 7%.

In comparison to the 5.85% reported in November 2022, the annual rate of inflation based on the all-India Wholesale Price Index (WPI) drops to 4.95% (Provisional) for the month of December 2022 (over December 2021).

*Graph 3 Indian Inflation Rate 1990-2020*


*Source 4 Macrotrends.net*

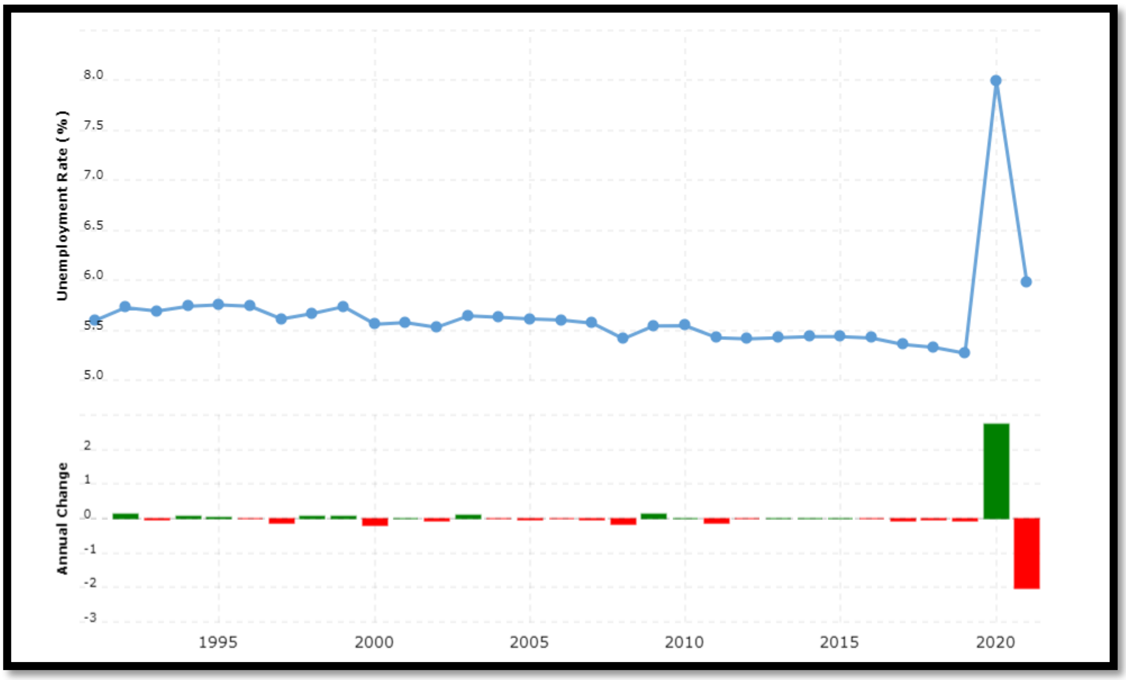
### 4.1.4 Unemployment

In India, unemployment affects a large group of people and is a serious economic and social burden. Although it fluctuates over time and between locations, India's unemployment rate has typically been rising in recent years.

The Indian government has taken a number of steps to address the issue of unemployment, including encouraging job creation through investments in infrastructure and the growth of new industries, offering training and education programs to help job seekers improve their skills, and putting policies in place to support small and medium-sized enterprises, which are one of the main forces behind job creation in the nation.

The below graph clearly shows that the unemployment rate in India have been stayed constant around 5.5% and gradually decreasing till the year 2019 up to 5.2. Due to the Covid Pandemic there was the biggest fluctuation in the unemployment rate in India. In 2019 the unemployment rate is around 5.2% and it rises to 8% in 2020 and decreases again in 2021. The current unemployment rate according to 2022 has increased to 8.3%.

*Graph 4 Indian Unemployment rate 1990-2020*




*Source 5 Macrotrends.net*

### 4.1.5 Internal trade

The exchange of products and services that takes place inside the borders of a nation, in this example India, is referred to as internal trade, also referred to as domestic trade. It encompasses business, government, and individual commerce within India. India has a large amount of internal trade, which has been steadily expanding over the years due to reasons including economic expansion, rising consumption, and more industrialization. India's internal trade was predicted to be worth about US$ 3.3 trillion in 2020–2021.

## 4.2 Foreign Trade

### 4.2.1 Foreign Trade Turnover

India's overall international trade volume, which includes imports and exports, has changed over time. India's foreign trade was estimated to be worth US$ 994 billion in 2020–2021, with US$ 326 billion in exports and US$ 668 billion in imports.

The below table shows the turnover of the total research period from 1990 to 2020

*Table 2 Indian Foreign Trade Turnover 1990-2020*

| **India Imports & Export Turnover** | | |
|---|---|---|
| **Year** | **Imports Millions of US $** | **Exports Millions of US $** |
| 2020 | $367,980M | $275,489M |
| 2019 | $478,884M | $323,251M |
| 2018 | $617,946M | $322,292M |
| 2017 | $444,052M | $294,364M |
| 2016 | $356,705M | $260,327M |
| 2015 | $390,745M | $264,381M |
| 2014 | $459,369M | $317,545M |
| 2013 | $466,046M | $336,611M |
| 2012 | $488,976M | $289,565M |
| 2011 | $462,403M | $301,483M |
| 2010 | $350,029M | $220,408M |
| 2009 | $266,402M | $176,765M |
| 2008 | $315,712M | $181,861M |
| 2007 | $218,645M | $145,898M |
| 2006 | $178,212M | $121,201M |
| 2005 | $140,862M | $100,353M |
| 2004 | $98,981M | $75,904M |
| 2003 | $72,431M | $59,361M |
| 2002 | $57,453M | $50,098M |
| 2001 | $50,671M | $43,878M |
| 2000 | $52,940M | $42,358M |
| 1999 | $50,011M | $36,920M |
| 1998 | $42,425M | $33,207M |
| 1997 | $41,429M | $34,794M |
| 1996 | $39,113M | $33,469M |
| 1995 | $36,592M | $31,699M |
| 1994 | $28,655M | $26,330M |
| 1993 | $23,304M | $22,237M |
| 1992 | $24,452M | $20,711M |
| 1991 | $19,509M | $17,900M |
| 1990 | $23,799M | $17,940M |

*Source 6 worldbank.org*

### 4.2.2 Trade Balance

The difference between a country's exports and imports is its trade balance. A nation is said to have a positive balance of trade, also known as a trade surplus, if its exports surpass its imports. On the other hand, a nation is said to have a negative balance of trade, also known as a trade deficit, if it imports more than it sells.
A country's trade balance is a key measure of its economic health since a prolonged trade deficit can cause the country's foreign exchange reserves to shrink and its currency to lose value. On the other side, a consistent trade surplus may point to a robust economy overall, however it may also cause trade disputes with other nations.

A country's trade balance equals the value of its exports minus its imports.

The formula to calculate is $X - M = TB$ **(2),** where:

X = Exports

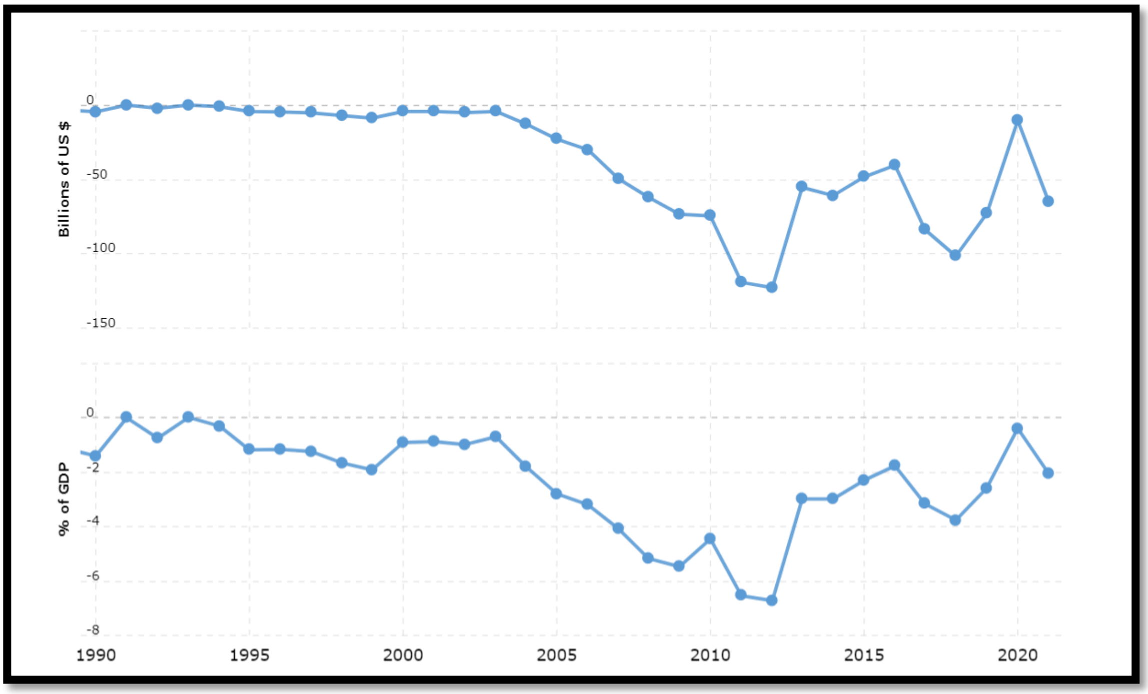
M = Import

*Table 3 Comparison of trade balance*

| **India Trade Balance - History** | | |
|---|---|---|
| **Year** | **Billions of US $** | **% of GDP** |
| 2021 | $-65.05B | -2.05% |
| 2020 | $-10.34B | -0.39% |
| 1993 | $0.05B | 0.02% |
| 1991 | $0.00B | 0.00% |
| 1990 | $-4.49B | -1.40% |

*Source 7 Own creation based on data from Macrotrends.net*

*Graph 5 Indian Trade Balance 1990-2020*



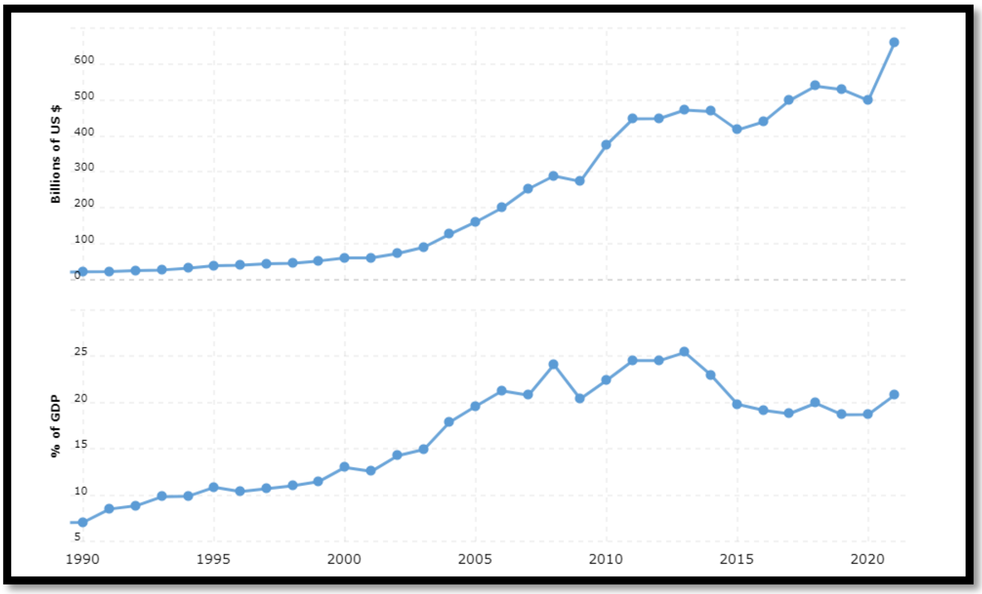

*Source 8 World Bank*

In the above graph you can see that there is not much fluctuation in the trade balance between the period 1990 it is $-4.49B to 2003 it is $-4.23B. From 2003 the trade balance starts to decrease and reaches $-122.91B in 2012. And again, started rising till $-55.38B in 2013 and went till $-10.34B in 2020.

### 4.2.3 Import and Export

The below graph shows the exports in currency US Dollars $ between the period 1990-2020. In the beginning of the research period 1990 India exports a total amount of $22.64B and the amount keeps on increasing till $288.90B till 2008. Due to the Great Recession in 2008-2009 the Indian export decreased by over 6.4% and reaches to $273.75B in 2009. After 2009 the country's export continues rising until in 2014-15 due to fragile global demand and low commodity prices it decreased from$468.35B to $416.79B the fall of 15.8%. Again, the exports increases and in the year 2019-20 due to the pandemic Covid-19.

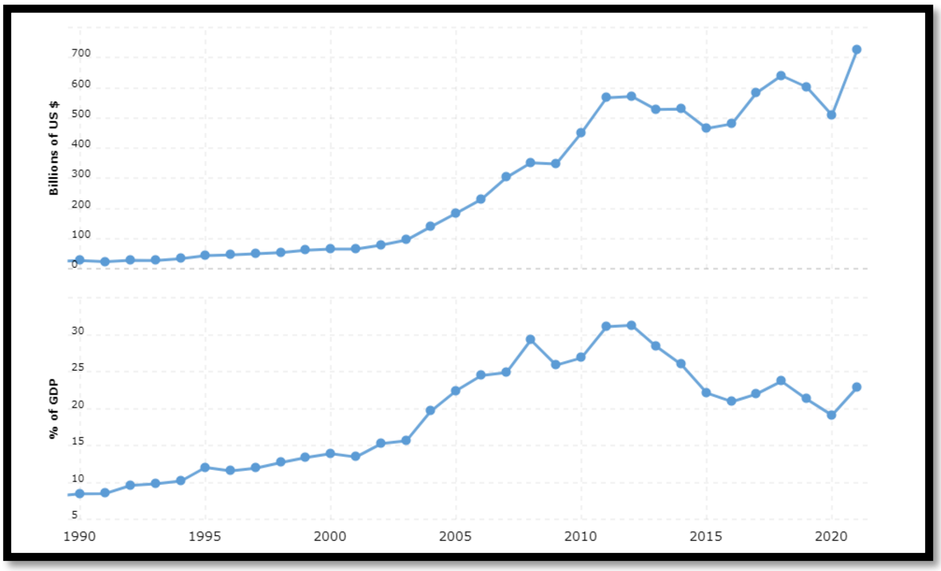
*Graph 6 India's Total Export from 1990-2020*




*Source 9 Macrotrends.net*

The below graph shows the imports in currency US Dollars $ between the period 1990-2020. The graph clearly shows that from the year 1990 to 2011 the Indian import has been increasing gradually from $27.13B to $566.67B. But after 2012 the continuously decreases for 5 years, from $571.31B in 2012 to $465.10B in 2015. And again, rises till $640.30B in 2018. But after 2018 dur to the global pandemic Covid-19 the imports decrease to $509.43 in 2020.

*Graph 7 India's total Import form 1990-2020*




*Source 10 Macrotrends.net*

### 4.2.4 Trade partners

India's world trade has changed dramatically throughout time. India is one of the fastest-growing major economies in the world as of 2021 and has built up a sophisticated network of economic ties with other nations.

The United States, China, the United Arab Emirates, Singapore, and Japan are among India's top commercial partners. India exports a variety of things, such as textiles, gems and jewelry, engineering products, chemicals, and agricultural supplies. The nation imports a wide range of products, including chemicals, machinery, electronics, and crude oil.

India has also explored trade agreements with a number of nations and regional bodies, such as the World Trade Organization, the Association of Southeast Asian Nations, and the South Asian Association for Regional Cooperation (WTO). India wants to improve economic integration, trade, and investment with other nations through these accords.

In recent years, India has also concentrated on strengthening its trading ties with nations in Africa, South America, and the Asia-Pacific area. The India-Africa Forum Summit and the India-ASEAN Free Commerce Area are only two of the measures the Indian government has launched to encourage trade and investment with these nations.

Over the past 30 years, India's top 10 trading partners have included:

- China
- United States
- United Arab Emirates
- Singapore
- Hong Kong
- Saudi Arabia
- Switzerland
- Germany
- Japan
- South Korea

It's necessary to keep in mind that these rankings could change based on the time period and data source used. China has continuously been India's main commercial partner in recent years, followed by the US, the UAE, and Singapore. Due to the close economic and trade ties between these nations, Germany, Japan, and South Korea have long been among India's top trading partners.

The list of India's major trading partners has changed over time to reflect changes in both India's trade policies and the global economy. However, in order to assist its economic growth and development, India has continually sought commercial links with nations all over the world.

**1990**

*Table 4 overall Exports and Imports in 1990*

| **Exports** | | **Imports** | |
|---|---|---|---|
| **Exports in (US$ MIL)** | 17,940 | Imports in (US$ MIL) | 23,799 |
| **No. of products** | 3,671 | No. of products | 3,385 |
| **No. of partners** | 173 | No. of partners | 128 |

*Source 11 Own creation based on data from worldbank.org*

*Table 5 Top 5 products Exports and Imports in 1990*

| **TOP 5 PRODUCTS EXPORTS & IMPORTS 1990** | | | |
|---|---|---|---|
| **Exports (US$ Thousands)** | | **Imports (US$ Thousands)** | |
| Diamonds non-industry | 2,596,542.21 | Petroleum oils and o | 3,342,727.94 |
| Non-agglomerated iron | 538,537.54 | Petroleum oils, etc., | 2,583,241.98 |
| Petroleum oils, etc., | 516,823.46 | Diamonds unsorted | 1,983,413.12 |
| Cotton, not carded | 446,806.05 | Ferrous waste and scrap | 425,171.36 |
| Black tea (fermented | 403,069.57 | Other coal, not agglomerated | 415,275.17 |

*Source 12 Own creation based on data from worldbank.org*

*Table 6 Exports and Imports partners 1990*

| TOP 5 EXPORT AND IMPORT PARTNERS 1990 | | | |
|---|---|---|---|
| **Imports** | US$ MIL. | **Exports** | US$ MIL. |
| Soviet Union | 2,896 | Soviet Union | 2,557 |
| United States | 2,644 | United States | 2,542 |
| Japan | 1,675 | German Democratic Republic | 1,907 |
| German Democratic Republic | 1,405 | Japan | 1,766 |
| United Kingdom | 1,173 | United Kingdom | 1,532 |

*Source 13 Own creation based on data from worldbank.org*

## EXPORTS AND IMPORTS OF PRODUCT GROUPS 1990

**T**here are 4 product groups 1. Raw material, 2. Intermediate goods, 3. Consumer good's 4. Capital goods.

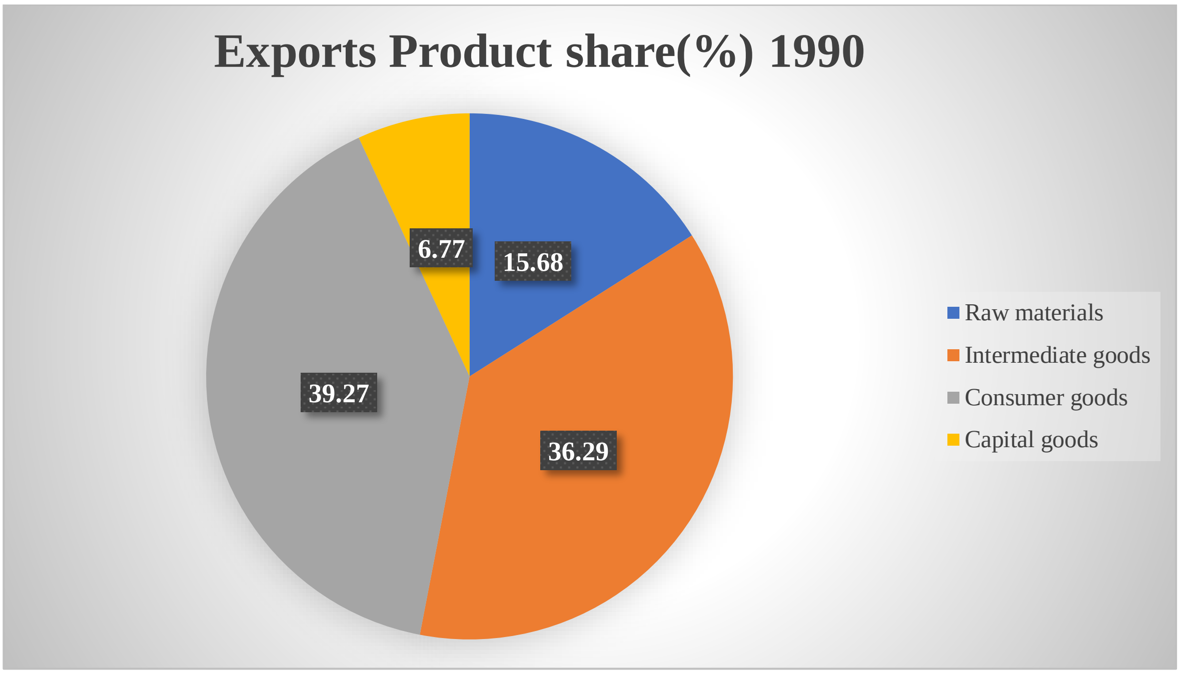
Raw material: The inventory or input goods that a business needs to make its products are known as raw materials. Steel, corn, oil, grain, gasoline, lumber, forestry resources, plastic, natural gas, coal, and minerals are a few examples of raw materials.

Intermediate goods: The phrase "intermediate products" refers to all manufactured and traded goods that are used to make a different final product for the consumer. Some examples of intermediate goods are as follows: Salt is an intermediate good in its manufacturing since it is employed in the creation of several foods and non-food goods..

Consumer goods: These often include things like food, beverages, attire, footwear, and fuel. Consumer services are intangible products or actions that are typically generated and consumed simultaneously.

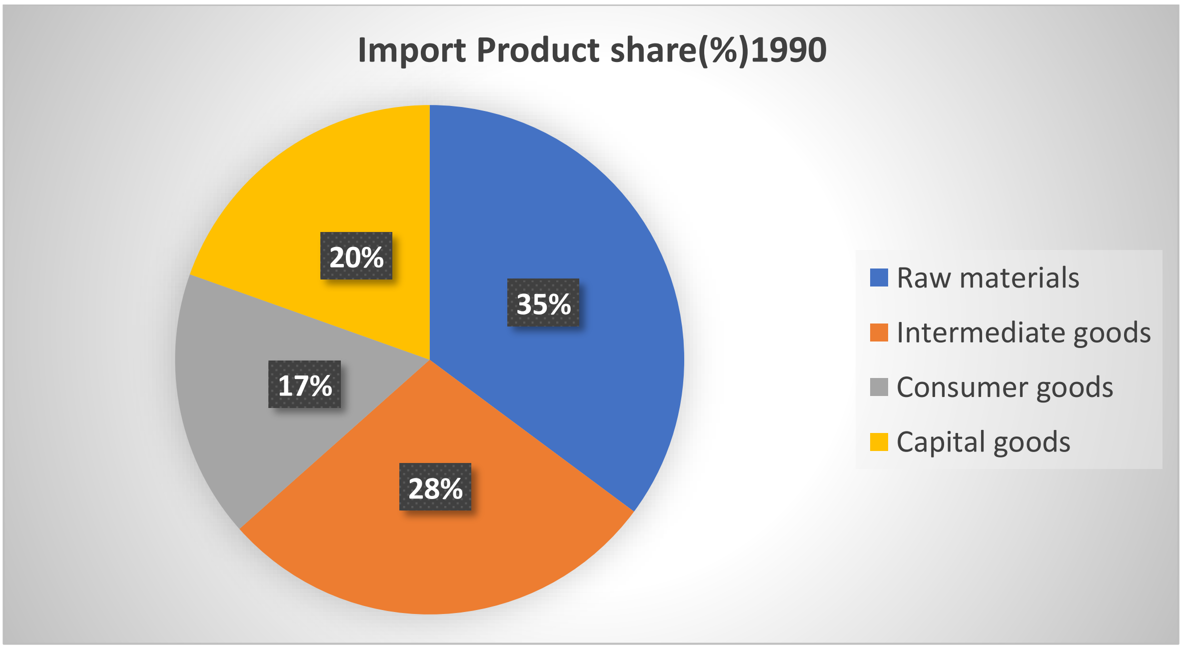
Capital goods: Businesses use lasting, man-made capital goods to produce commodities and services. Capital goods include things like machinery, buildings, cars, computers, and tools for construction. One of the four main economic factors is capital goods.

*Graph 8 Exports Product share (%) 1990*




*Source 14 Own creation based on data from worldbank.org*

*Graph 9 Import Product share (%)1990*




*Source 15 Own creation based on data from worldbank.org*

**2020**

*Table 7 Overall Exports and Imports in 2020*

| OVERALL EXPORTS AND IMPORTS 2020 | | | |
|---|---|---|---|
| **Exports** | | **Imports** | |
| Exports in (US$ MIL) | 275,489 | Imports in (US$ MIL) | 367,980 |
| No. of products | 4,417 | No. of products | 4,332 |
| No. of partners | 224 | No. of partners | 211 |

*Source 16 Own creation based on data from worldbank.org*

*Table 8 Top 5 products Exports and Imports in 2020*

| TOP 5 PRODUCTS EXPORTS & IMPORTS 2020 | | | |
|---|---|---|---|
| **Exports (US$ Thousands)** | | **Imports (US$ Thousands)** | |
| Petroleum oils, etc., | 26,174,664.56 | Petroleum oils | 64,579,747.98 |
| Diamonds non-industry | 14,655,837.48 | Gold in unwrought. | 21,818,230.54 |
| Other medicaments of ... | 14,237,108.43 | Other coal | 14,341,760.04 |
| Semi-milled or wholly milled rice | 7,484,135.63 | Diamonds non-industrial unworked | 9,369,200.13 |
| Art. of jewelry | 5,678,174.08 | Natural gas, liquefied | 7,908,671.68 |

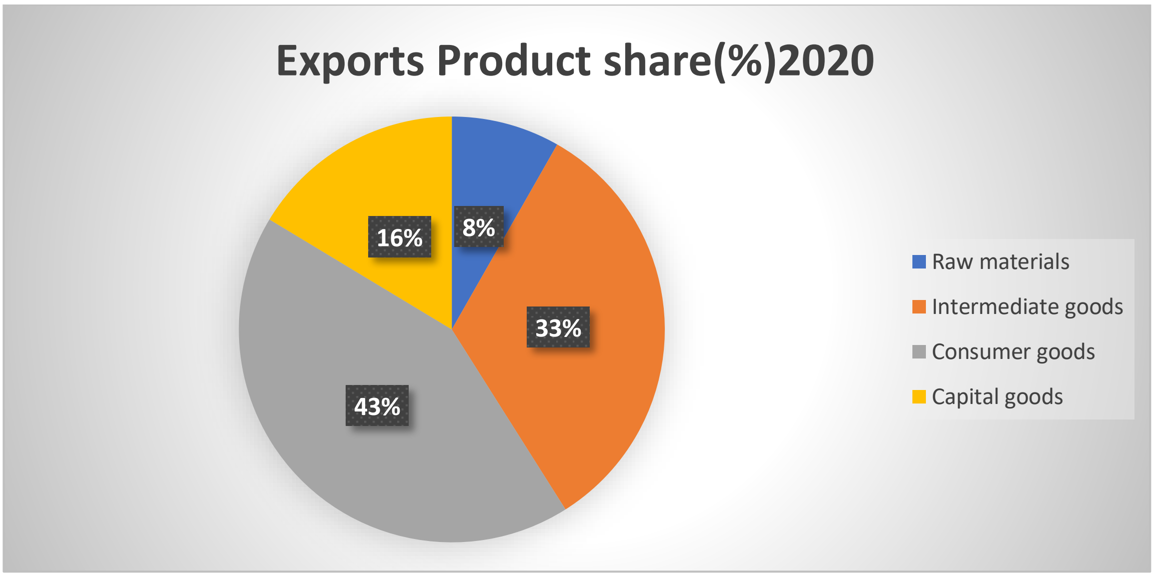
*Source 17 Own creation based on data from worldbank.org*

*Table 9 Top 5 exports and imports partners 1990*

| TOP 5 EXPORT AND IMPORT PARTNERS 2020 | | | |
|---|---|---|---|
| Imports | **US$ MIL.** | **Exports** | **US$ MIL.** |
| United States | 49,321 | China | 58,799 |
| China | 19,008 | United States | 26,616 |
| United Arab Emirates | 17,953 | United Arab Emirates | 23,901 |
| Hong Kong, China | 9,537 | Saudi Arabia | 17,724 |
| Singapore | 8,295 | Iraq | 16,173 |

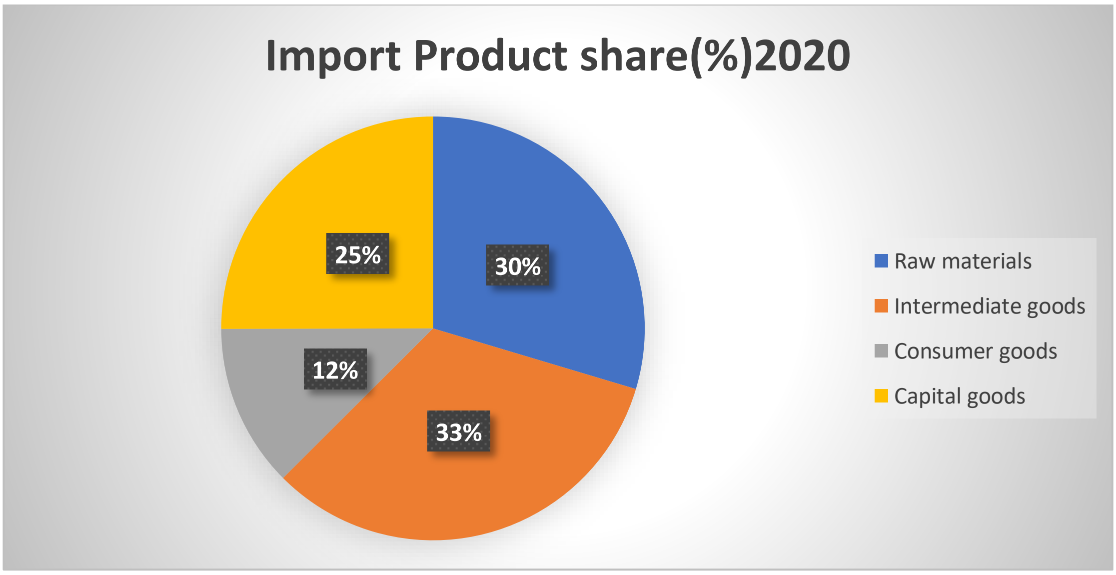
*Source 18 Own creation based on data from worldbank.org*

*Graph 10 Exports Product share (%)2020*




*Source 19 Own creation based on data from worldbank.org*

*Graph 11 Exports Product share (%)2020*




*Source 20 Own creation based on data from worldbank.org*

### 4.2.5 Trading products

The tabel number 10 shows the traded products from 1990-2000 in percentage. For better understanding I have marked the most traded product in yellow, second most traded product in green and third most traded product in blue.

As you can see in the figure the most Exported product for the first 3 years is consumer goods sector with the share of 39%-41% of total exports and on the second position is

Intermediate goods sector with the share of 36% to 39% of the total exports. But from 1993 to 1997 intermediate goods sector stays in the first position for exports with the share of around 41% of total exports and in 1998 it changes for second position. Again for 1990-2000 the intermediate goods sector takes the first position with the share of 42% of total exports.

*Table 10 Products Exported in 1990-2000 in %.*

| Product Group | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Capital goods** | 6.77 | 6.31 | 5.61 | 5.6 | 5.83 | 6.03 | 6.86 | 6.93 | 6.11 | 6.03 | 6.35 |
| **Consumer goods** | 39.27 | 40.48 | 41.38 | 38.27 | 38.36 | 38.81 | 36.95 | 37.46 | 42 | 38.48 | 39.84 |
| **Intermediate goods** | 36.29 | 37.3 | 39.39 | 41.72 | 41.76 | 41.82 | 41.08 | 41.41 | 38.83 | 42.84 | 42.22 |
| **Raw materials** | 15.68 | 14.35 | 11.9 | 12.78 | 12.36 | 11.71 | 13.34 | 12.14 | 10.61 | 10.45 | 9.6 |
| **Animal** | 3.59 | 4.01 | 3.94 | 4.32 | 4.92 | 3.92 | 4.18 | 4.29 | 3.84 | 3.86 | 4.06 |
| **Chemicals** | 7.83 | 8.6 | 6.83 | 7.08 | 7.84 | 7.73 | 8.5 | 9.45 | 8.99 | 9.52 | 9.43 |
| **Food Products** | 3.21 | 3.7 | 4.94 | 4.8 | 3.12 | 3.75 | 5.24 | 4.4 | 2.66 | 2.29 | 2.32 |
| **Footwear** | 2.85 | 2.68 | 2.32 | 2.27 | 2.18 | 1.91 | 1.76 | 1.59 | 1.85 | 1.74 | 1.57 |
| **Fuels** | 2.91 | 2.36 | 2.83 | 2.23 | 1.95 | 1.66 | 1.54 | 1.13 | 0.42 | 0.25 | 3.41 |
| **Hides and Skins** | 5.37 | 4.7 | 4.9 | 4.01 | 4.28 | 3.83 | 3.25 | 3.4 | 3.45 | 2.9 | 3.14 |
| **Mach and Elec** | 5.24 | 4.85 | 4.24 | 4.42 | 4.66 | 5.01 | 5.69 | 5.88 | 5.35 | 5.05 | 5.59 |
| **Metals** | 4.07 | 4.56 | 5.96 | 6.34 | 5.5 | 5.57 | 5.83 | 6.33 | 5.37 | 6.26 | 6.81 |
| **Minerals** | 4.6 | 4.61 | 3.38 | 3.4 | 3.07 | 2.88 | 2.68 | 2.32 | 2.02 | 1.89 | 2.04 |
| **Miscellaneous** | 2.81 | 2.3 | 2.41 | 2.49 | 2.63 | 2.53 | 2.73 | 3 | 3.44 | 3.38 | 3.22 |
| **Plastic or Rubber** | 1.2 | 1.13 | 1.8 | 2.31 | 2.59 | 2.47 | 2.21 | 2.09 | 1.88 | 1.97 | 2.21 |
| **Stone and Glass** | 16.57 | 15.92 | 17.32 | 18.83 | 18.14 | 17.66 | 15.23 | 15.75 | 18.84 | 21.57 | 19.57 |
| **Textiles and Clothing** | 27.31 | 27.28 | 27.56 | 25.75 | 27.3 | 25.57 | 27.37 | 26.97 | 27.13 | 27.04 | 26.32 |
| **Transportation** | 2.22 | 2.78 | 2.88 | 2.66 | 2.93 | 2.91 | 2.89 | 2.67 | 2.29 | 2.21 | 2.27 |
| **Vegetable** | 9.95 | 10.23 | 8.37 | 8.6 | 8.35 | 12 | 10.34 | 10.29 | 12.01 | 9.55 | 7.44 |
| **Wood** | 0.26 | 0.3 | 0.33 | 0.48 | 0.55 | 0.59 | 0.56 | 0.43 | 0.45 | 0.52 | 0.6 |

*Source 21 Own creation based on data from worldbank.org*

For the third most Exported goods textile and clothing sector stays constant for the decade with the share of around 25% to 27% of total exports.

The tabel no 11 below shows that in the year 2001 the consumer goods sector is in the most exported goods with the share of 41% of total exports. But for 2002-2003 the intermediate goods sector become the most exported goods with the share of 40% of total exports. And for the next 7 years from 2004 to 2010 the consumer goods sector becomes the most traded goods with the share of 40% to 43% of total exports and the intermediate goods sector stays in the second position with the share of 30% to 38% of total exports. For the third position the textiles and clothing sector stay stationary for next 10 years 2001-2010 with the share of 12% to 24% of total exports.

*Table 11 Products Exported in 2001-2010 in %.*

| Product Group | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Capital Goods | 7.52 | 7.36 | 8.59 | 9 | 9.67 | 10.05 | 10.26 | 11.49 | 12.99 | 11.71 |
| Consumer Goods | 41.28 | 39.85 | 40.14 | 40.92 | 41.13 | 43.98 | 43.26 | 42.61 | 43.4 | 41.77 |
| Intermediate Goods | 38.33 | 40.41 | 40.74 | 38.41 | 36.78 | 34.72 | 34.65 | 34.23 | 30.36 | 34.87 |
| Raw Materials | 9.91 | 10 | 8.98 | 10.47 | 11.24 | 10.16 | 10.62 | 10.05 | 8.86 | 9.69 |
| Animal | 3.7 | 3.49 | 2.88 | 2.29 | 2.32 | 1.99 | 1.87 | 1.64 | 1.61 | 1.93 |
| Chemicals | 9.58 | 10.09 | 10.18 | 9.96 | 9.97 | 10.28 | 10 | 10.34 | 9.65 | 10.04 |
| Food Products | 2.92 | 2.42 | 2.45 | 2.25 | 1.81 | 2.56 | 2.73 | 3.39 | 2.14 | 2.41 |
| Footwear | 1.58 | 1.37 | 1.29 | 1.23 | 1.15 | 1.11 | 1.1 | 0.99 | 0.96 | 0.85 |
| Fuels | 4.89 | 4.65 | 6.1 | 8.07 | 10.46 | 14.86 | 16.19 | 18.07 | 13.59 | 17.23 |
| Hides And Skins | 3.11 | 2.65 | 2.27 | 2.24 | 1.83 | 1.61 | 1.46 | 1.36 | 1.12 | 1.01 |
| Mach And Elec | 6.62 | 6.16 | 6.7 | 6.43 | 6.68 | 7.18 | 7.42 | 7.88 | 9.5 | 7.64 |
| Metals | 6.45 | 7.37 | 8.67 | 9.74 | 9.8 | 11.1 | 10.77 | 10.71 | 7.01 | 9.95 |
| Minerals | 2.2 | 2.82 | 2.69 | 4.25 | 5.75 | 4.66 | 4.85 | 4.28 | 3.88 | 3.65 |
| Miscellaneous | 4.32 | 3.7 | 3.6 | 3.15 | 2.9 | 2.71 | 2.74 | 2.9 | 5.75 | 3.24 |
| Plastic Or Rubber | 2.64 | 2.9 | 2.98 | 3.45 | 3.19 | 3.18 | 2.68 | 2.47 | 2.02 | 2.41 |
| Stone And Glass | 17.18 | 18.92 | 19.15 | 17.61 | 17.03 | 14.03 | 14.08 | 11.97 | 19.22 | 15.49 |
| Textiles And Clothing | 24.16 | 22.68 | 21.03 | 18.65 | 16.97 | 15.76 | 14.37 | 12.43 | 12.4 | 12.31 |
| Transportation | 2.34 | 2.4 | 2.9 | 3.52 | 3.93 | 3.76 | 3.98 | 5.61 | 6 | 6.85 |
| Vegetable | 7.68 | 7.68 | 6.47 | 6.53 | 5.54 | 4.62 | 5.18 | 5.41 | 4.64 | 4.45 |
| Wood | 0.63 | 0.72 | 0.64 | 0.65 | 0.66 | 0.6 | 0.58 | 0.54 | 0.51 | 0.53 |

*Source 22 Own creation based on data from worldbank.org*

The tabel no 12 below shows that the most exported product from the year 2011 to 2020 is from the consumer goods sector which stays between 47% to around 42% of total exports for last 10 years.For the second most exported goods are intermediate goods sector remains constantly on the second most exported goods for 2011 – 2020 between 31% to 33% of total exports.

Fuels sector remains on the third position for the most exports goods with the share of around 18% - 20% of total exports for 4 years from 2011- 2014. In 2015 textile and clothing sector becomes the third most exported goods for 3 years 2015 – 2017 with share of 14% to 12% of total exports.

*Table 12 Products Exported in 2011-2020 in %.*

| Product Group | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Capital goods** | 11.93 | 11.73 | 11.58 | 13.08 | 13.82 | 13.67 | 13.78 | 15.01 | 16.52 | 16.35 |
| **Consumer goods** | 43.35 | 47.17 | 45.99 | 47.98 | 44.5 | 45.14 | 44.02 | 44.92 | 45.15 | 42.58 |
| **Intermediate goods** | 31.18 | 29.28 | 31.27 | 29.56 | 32.56 | 32.52 | 33.2 | 32.56 | 31.09 | 32.77 |
| **Raw materials** | 8.9 | 10.91 | 9.67 | 9.08 | 8.26 | 8.35 | 8.63 | 7.43 | 7.16 | 8.24 |
| **Animal** | 2.1 | 2.37 | 3.05 | 3.48 | 3.54 | 3.68 | 3.85 | 3.3 | 3.15 | 3.12 |
| **Chemicals** | 8.98 | 10.72 | 10.35 | 10.51 | 12.38 | 12.86 | 12.62 | 13.83 | 14.93 | 17.45 |
| **Food Products** | 2.41 | 2.6 | 2.41 | 2.06 | 2.15 | 2.26 | 2.14 | 2.11 | 2.3 | 3.04 |
| **Footwear** | 0.78 | 0.79 | 0.9 | 1.04 | 1.18 | 1.17 | 1.04 | 0.96 | 0.97 | 0.83 |
| **Fuels** | 18.76 | 18.78 | 20.67 | 19.63 | 11.87 | 10.65 | 12.19 | 15.07 | 13.78 | 10.03 |
| **Hides and Skins** | 1.01 | 1.07 | 1.15 | 1.23 | 1.33 | 1.25 | 1.12 | 1.02 | 0.95 | 0.81 |
| **Mach and Elec** | 7.46 | 7.54 | 7.24 | 7.12 | 8.01 | 8.36 | 8.63 | 10 | 11.2 | 11.41 |
| **Metals** | 7.03 | 7.62 | 7.57 | 8.06 | 8.03 | 7.44 | 9.56 | 8.25 | 7.99 | 9.35 |
| **Minerals** | 2.16 | 1.7 | 1.31 | 1.05 | 0.92 | 1.2 | 1.35 | 1.21 | 1.56 | 2.19 |
| **Miscellaneous** | 5.81 | 2.28 | 2.89 | 1.8 | 2.69 | 2.37 | 1.95 | 1.98 | 2.12 | 2.27 |
| **Plastic or Rubber** | 2.68 | 2.66 | 2.75 | 2.6 | 2.81 | 2.93 | 2.98 | 3.42 | 3.27 | 3.48 |
| **Stone and Glass** | 17.24 | 15.62 | 13.9 | 13.72 | 15.67 | 17.41 | 15.1 | 13.38 | 12.73 | 10.49 |
| **Textiles and Clothing** | 11.07 | 11.29 | 11.94 | 12.15 | 14.06 | 13.61 | 12.64 | 11.48 | 10.98 | 10.75 |
| **Transportation** | 6.56 | 6.3 | 6.46 | 8.16 | 8.33 | 8.23 | 7.96 | 7.55 | 7.75 | 6.79 |
| **Vegetable** | 5.47 | 8.13 | 6.86 | 6.81 | 6.34 | 5.84 | 6.18 | 5.6 | 5.39 | 7.08 |
| **Wood** | 0.49 | 0.53 | 0.55 | 0.57 | 0.7 | 0.74 | 0.68 | 0.84 | 0.93 | 0.92 |

*Source 23 Own creation based on data from worldbank.org*

## Imports

The tabel number 13 shows the imported products from 1990-2000 in percentage. For better understanding I have marked the most traded product in yellow, second most traded product in green and third most traded product in blue.

Figure no 22 below provides data on total products imported in first 10 years 1990 to 2000. It is clearly seen that the top three largest imported spot is occupied by Raw material sector, fuel sector and intermediate goods sector.

The share of this three-sector combined in the total imports is always more then 70 to 80 % of total Imports for all 10 years.

*Table 13 Products Imported in 1990-2000 in %*

| All Products | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Capital goods** | 18.34 | 14.44 | 15.1 | 19.17 | 18.66 | 20.29 | 19.23 | 18.55 | 16.75 | 15.27 | 15.38 |
| **Consumer goods** | 15.95 | 15.48 | 14.71 | 14.28 | 16.63 | 17.84 | 18.78 | 16.51 | 16.73 | 15.77 | 10.75 |
| **Intermediate goods** | 26.51 | 26.46 | 24.79 | 25.16 | 30.88 | 30.85 | 27.36 | 33.65 | 34.56 | 29.78 | 26.17 |
| **Raw materials** | 32.98 | 35.61 | 39.3 | 34.15 | 27.16 | 24.03 | 28.88 | 26.87 | 25.43 | 37 | 46.29 |
| **Animal** | 0.02 | 0.07 | 0.09 | 0.05 | 0.06 | 0.1 | 0.03 | 0.07 | 0.08 | 0.13 | 0.06 |
| **Chemicals** | 10.87 | 13.41 | 12.79 | 11.51 | 13.1 | 13.66 | 11.07 | 11.94 | 11.21 | 10.48 | 8.17 |
| **Food Products** | 0.4 | 0.47 | 0.49 | 0.49 | 3.09 | 0.54 | 0.36 | 0.64 | 0.94 | 0.76 | 0.33 |
| **Footwear** | 0.08 | 0.09 | 0.08 | 0.11 | 0.11 | 0.11 | 0.08 | 0.08 | 0.08 | 0.07 | 0.07 |
| **Fuels** | 27.29 | 29.92 | 29.52 | 27.14 | 23.8 | 23.67 | 29.3 | 24.27 | 18.98 | 28.85 | 36.54 |
| **Hides and Skins** | 0.45 | 0.4 | 0.39 | 0.5 | 0.44 | 0.38 | 0.37 | 0.37 | 0.36 | 0.32 | 0.37 |
| **Mach and Elec** | 13.48 | 11.49 | 11.79 | 12.99 | 14.92 | 17.22 | 14.97 | 15.61 | 14.06 | 12.4 | 13.05 |
| **Metals** | 11.21 | 8.67 | 8.6 | 7.75 | 9.28 | 8.87 | 8.79 | 7.85 | 6 | 4.97 | 4.31 |
| **Minerals** | 2.36 | 2.36 | 2.1 | 1.52 | 1.99 | 1.7 | 1.31 | 1.26 | 1.41 | 1.5 | 1.45 |
| **Miscellaneous** | 8.82 | 10.14 | 8.5 | 9.35 | 8.71 | 9.24 | 7.44 | 6.63 | 8.95 | 4.36 | 3.51 |
| **Plastic or Rubber** | 3.42 | 3.67 | 2.66 | 2.7 | 3 | 3.46 | 2.83 | 2.48 | 2.38 | 2.13 | 1.83 |
| **Stone and Glass** | 9.17 | 10.62 | 12.65 | 12.84 | 8.73 | 8.65 | 10.47 | 16.26 | 21.57 | 20.94 | 19.12 |
| **Textiles and Clothing** | 2.07 | 1.73 | 2.21 | 2.32 | 3.29 | 2.66 | 2 | 2.02 | 2.01 | 2.27 | 2.4 |
| **Transportation** | 3.87 | 1.92 | 2.11 | 5.45 | 3.89 | 3.02 | 3.8 | 2.54 | 1.89 | 2.29 | 2.09 |
| **Vegetable** | 3 | 2.33 | 3.32 | 2.72 | 2.99 | 3.76 | 4.42 | 4.73 | 7.13 | 5.91 | 4.05 |
| **Wood** | 3.48 | 2.73 | 2.7 | 2.54 | 2.59 | 2.98 | 2.78 | 3.26 | 2.94 | 2.61 | 2.65 |

*Source 24 Own creation based on data from worldbank.org*

The table below shows the total data of products imported for 10 years from 2001 to 2010 and for 10 years continuously three sector Intermediate goods, raw materials and fuel remains the top three most Imported products for 10 years.

The largest impact on the total volume of imports from 2001 to 2010 was made by imports of raw materials, the share of this sector fluctuated between 33 and 42 percent of total imports, the second sector that most influenced the total volume of imports was the Fuels sector, with shares from 30 to 36 percent of total imports. Another section that had the most impact on imports was, respectively, imports of intermediate goods with a share of 28 - 30% of total imports.

*Table 14 Products Imported in 2001-2010 in %.*

| All Products | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Capital goods** | 16.05 | 18.24 | 20.28 | 20.19 | 20.16 | 22.79 | 21.52 | 20.08 | 21.37 | 18.06 |
| **Consumer goods** | 9.55 | 9.55 | 9.4 | 10.49 | 10.63 | 10.21 | 11.55 | 10.47 | 9.48 | 8.44 |
| **Intermediate goods** | 31.52 | 28.85 | 29.79 | 30.33 | 30.92 | 27.46 | 29.4 | 28.33 | 33.17 | 35.65 |
| **Raw materials** | 41.22 | 42.03 | 39.5 | 38.22 | 37.3 | 38.26 | 36.38 | 37.46 | 33.93 | 35.33 |
| **Animal** | 0.06 | 0.06 | 0.07 | 0.04 | 0.03 | 0.04 | 0.03 | 0.03 | 0.05 | 0.08 |
| **Chemicals** | 8.9 | 8.74 | 8.45 | 8.11 | 8.25 | 7.9 | 8.15 | 9.77 | 8.6 | 8.09 |
| **Food Products** | 0.35 | 0.3 | 0.28 | 0.55 | 0.51 | 0.19 | 0.19 | 0.2 | 0.6 | 0.51 |
| **Footwear** | 0.06 | 0.05 | 0.06 | 0.06 | 0.07 | 0.08 | 0.07 | 0.07 | 0.07 | 0.08 |
| **Fuels** | 31.13 | 31.18 | 30.08 | 31.48 | 32.88 | 34.47 | 33.5 | 36.7 | 31.03 | 31.67 |
| **Hides and Skins** | 0.43 | 0.38 | 0.28 | 0.28 | 0.24 | 0.22 | 0.22 | 0.19 | 0.18 | 0.18 |
| **Mach and Elec** | 14.21 | 16 | 17.43 | 17.09 | 17 | 17.77 | 18.68 | 13.93 | 18.11 | 15.23 |
| **Metals** | 4.85 | 4.61 | 4.72 | 5.49 | 6.7 | 6.54 | 7.7 | 6.31 | 5.97 | 5.82 |
| **Minerals** | 1.55 | 1.44 | 1.23 | 1.52 | 1.38 | 3.19 | 2.79 | 2.47 | 1.88 | 2.1 |
| **Miscellaneous** | 4.25 | 3.91 | 3.47 | 2.95 | 3.2 | 3.41 | 3.38 | 5.51 | 4.21 | 4.5 |
| **Plastic or Rubber** | 2.01 | 2.13 | 2.19 | 2.14 | 2.26 | 2.12 | 2.34 | 1.99 | 2.53 | 2.87 |
| **Stone and Glass** | 19.58 | 18.02 | 17.76 | 18.36 | 17.02 | 12.48 | 13.03 | 11.53 | 16.4 | 20.02 |
| **Textiles and Clothing** | 2.82 | 2.78 | 2.66 | 2.09 | 1.9 | 1.54 | 1.39 | 1.13 | 1.21 | 1.12 |
| **Transportation** | 1.78 | 2.69 | 3.5 | 3.49 | 3.52 | 5.53 | 3.67 | 6.47 | 4.31 | 3.2 |
| **Vegetable** | 5 | 5.3 | 5.26 | 3.93 | 3.04 | 2.69 | 3.03 | 2.21 | 3.35 | 3.04 |
| **Wood** | 3.01 | 2.4 | 2.56 | 2.41 | 2.01 | 1.83 | 1.83 | 1.5 | 1.49 | 1.5 |

*Source 25 Own creation based on data from worldbank.org*

Since 2011, the first places have been consistently occupied by the raw material sector, accounting for most of India's imports, about 30%to 40% of total imports. But in 2016, their shares fell, and sector of intermediate goods becomes the most imported goods. In 2017, the raw material sector began to grow again until 2020.

Again from 2011 to 2020 in the 10-year period the three most imported sectors remains the same intermediate goods, raw materials and fuel.

*Table 15 Products Imported in 2011-2020 in %.*

| All Products | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Capital goods** | 16.32 | 15.88 | 15.92 | 16 | 20.32 | 22.72 | 21.26 | 21.31 | 22.75 | 24.9 |
| **Consumer goods** | 9.18 | 9.94 | 9.34 | 10.34 | 10.85 | 11.18 | 11.14 | 11.5 | 12.11 | 12.37 |
| **Intermediate goods** | 34.66 | 30.1 | 28.63 | 28.85 | 34.41 | 32.14 | 33.02 | 30.69 | 31.12 | 32.72 |
| **Raw materials** | 37.3 | 41.59 | 43.63 | 42.5 | 31.64 | 30.98 | 33.53 | 35.99 | 33.57 | 29.46 |
| **Animal** | 0.08 | 0.05 | 0.02 | 0.04 | 0.04 | 0.04 | 0.04 | 0.04 | 0.04 | 0.06 |
| **Chemicals** | 7.74 | 7.54 | 7.82 | 8.26 | 9.53 | 9.34 | 8.66 | 9.38 | 9.93 | 11.71 |
| **Food Products** | 0.23 | 0.33 | 0.34 | 0.44 | 0.52 | 0.75 | 0.67 | 0.55 | 0.56 | 0.75 |
| **Footwear** | 0.08 | 0.08 | 0.1 | 0.1 | 0.14 | 0.16 | 0.16 | 0.16 | 0.18 | 0.14 |
| **Fuels** | 34.03 | 37.98 | 39.52 | 38.52 | 26.78 | 25.04 | 27.72 | 33.19 | 31.88 | 28.36 |
| **Hides and Skins** | 0.16 | 0.15 | 0.18 | 0.22 | 0.26 | 0.26 | 0.23 | 0.22 | 0.22 | 0.15 |
| **Mach and Elec** | 14.65 | 13.47 | 13.24 | 13.73 | 17.38 | 19.43 | 18.61 | 18.68 | 19.85 | 21.18 |
| **Metals** | 5.68 | 5.63 | 5.12 | 5.81 | 6.82 | 6.36 | 5.97 | 6.44 | 6.59 | 6.22 |
| **Minerals** | 2.01 | 2.06 | 2.33 | 2.23 | 2.2 | 1.66 | 1.84 | 1.72 | 1.15 | 1.25 |
| **Miscellaneous** | 4.32 | 4.33 | 4.45 | 4.39 | 5.36 | 5.87 | 3.58 | 3.1 | 3.15 | 3.39 |
| **Plastic or Rubber** | 2.5 | 2.7 | 2.89 | 3.31 | 3.66 | 4.01 | 3.67 | 3.74 | 3.74 | 3.97 |
| **Stone and Glass** | 20.66 | 17.1 | 14.89 | 13.47 | 15.85 | 14.12 | 17.3 | 13.45 | 12.89 | 11.72 |
| **Textiles and Clothing** | 1.07 | 1.05 | 1.16 | 1.27 | 1.5 | 1.7 | 1.49 | 1.43 | 1.74 | 1.49 |
| **Transportation** | 2.23 | 2.77 | 3.08 | 2.65 | 3.32 | 3.82 | 3.25 | 2.8 | 2.86 | 3.17 |
| **Vegetable** | 3.1 | 3.35 | 3.34 | 3.85 | 4.88 | 5.52 | 5.11 | 3.49 | 3.57 | 4.94 |
| **Wood** | 1.48 | 1.4 | 1.51 | 1.71 | 1.78 | 1.91 | 1.7 | 1.61 | 1.66 | 1.49 |

*Source 26 Own creation based on data from worldbank.org*

## 4.3 Comparative Advantage of Indian Commodities

### 4.3.1 Balassa Index

The Balassa Index is a metric used in economics to assess how competitive a nation's exports are on the international market. It is sometimes referred to as the Balassa-Samuelson Index and was created by economist Bela Balassa.

*Table 16 Average of Balassa Index of 1990 & 2020*

| Product Group | 1990 | Comment | 2020 | Comment |
|---|---|---|---|---|
| Capital goods | 0.2 | Comparative disadvantage | 0.46 | Comparative disadvantage |
| Consumer goods | 1.11 | Comparative advantage | 1.33 | Comparative advantage |
| Intermediate goods | 1.63 | Comparative advantage | 1.63 | Comparative advantage |
| Raw materials | 1.42 | Comparative advantage | 0.71 | Comparative disadvantage |
| Animal | 2.09 | Comparative advantage | 1.43 | Comparative advantage |
| Chemicals | 0.64 | Comparative disadvantage | 1.85 | Comparative advantage |
| Food Products | 1.05 | Comparative advantage | 0.71 | Comparative disadvantage |
| Footwear | 2.62 | Comparative advantage | 1.32 | Comparative advantage |
| Fuels | 0.11 | Comparative disadvantage | 0.77 | Comparative disadvantage |
| Hides and Skins | 5.49 | Comparative advantage | 2.17 | Comparative advantage |
| Mach and Elec | 0.2 | Comparative disadvantage | 0.43 | Comparative disadvantage |
| Metals | 0.58 | Comparative disadvantage | 1.51 | Comparative advantage |
| Minerals | 7.21 | Comparative advantage | 1.37 | Comparative advantage |
| Miscellaneous | 0.13 | Comparative disadvantage | 0.39 | Comparative disadvantage |
| Plastic or Rubber | 0.12 | Comparative disadvantage | 0.8 | Comparative disadvantage |
| Stone and Glass | 5.33 | Comparative advantage | 2.51 | Comparative advantage |
| Textiles and Clothing | 4.11 | Comparative advantage | 2.56 | Comparative advantage |
| Transportation | 0.19 | Comparative disadvantage | 0.58 | Comparative disadvantage |
| Vegetable | 1.61 | Comparative advantage | 1.6 | Comparative advantage |
| Wood | 0.11 | Comparative disadvantage | 0.39 | Comparative disadvantage |

*Source 27 Own creation based on data from worldbank.org*

The Balassa index for the chosen sectors were computed using information gathered from the Indian statistical portal dgft.gov.in. The goal of the research is to identify the Indian industries that have a competitive advantage abroad. The author calculated the index for each sector throughout time, the averages for years 1990 and 2020 are shown in table below.

By contrasting a nation's internal pricing with its export prices, the Balassa Index is determined. A country is said to be experiencing real appreciation and losing competitiveness in the international market if its export prices are greater than its domestic prices. In the event that the opposite is true and a nation's export prices are lower than its domestic prices, this indicates that the nation is actually depreciating and that its exports are getting more competitive.

The Balassa Index is frequently used to assess a nation's level of global competitiveness and to monitor changes in competitiveness over time. Policy makers and corporations can use the index's findings to inform their trade and investment decisions.

### 4.3.2 Vallrath Index

Only a sector's share of exports is taken into consideration when calculating the Balassa index. For calculating the Vollrath index, both the sector's share of exports and its share of imports are taken into account.

A tool used in ecology to quantify a community's diversity is the Vollrath index. In more detail, it is a ratio between the number of species actually observed and the number of species that would be predicted by a null model. The null model is frequently founded on presumptions on the species distribution in a specific habitat or ecosystem.

When the outcome is greater than 0, the sector enjoys a competitive advantage, using the Vollrath index. As seen in the case of the Balassa index, the market for carpets and other textiles for floors has shown strong performance. Also, the sectors that have a comparative advantage compared to global indices are listed in order.

# 5 Results and Discussion

The final analysis of the data from the practical section is covered in this section of the thesis. To accomplish the objective and reveal the subject of the work, the author's final responses to the queries are given in this section.

This paragraph now indicates the findings of the analysis of India's trading partners, namely how the list of such nations has changed over the past 30 years, from 1990 to 2020, and which nations are India's main trading partners. The author also demonstrated which industries in India account for a sizable portion of the nation's trade using the data. Also, throughout a 30-year period, these sectors are treated individually as imports and exports. The final question, which asks how to determine the trading sectors' comparative advantage or disadvantage using the Balassa index, is then answered. This section also includes a mention of the answers to the fourth question. The author provided a summary of the findings from the study that looked at India's macroeconomic indicators.

## 5.1 Trade Partners

Any nation's economy depends heavily on international trade. The trading structure also includes crucial components such as trading partners and the exchange of goods with them. India's top trading partners in the early 1990s were China, the United States, and the Soviet Union. India's trading partners have changed over time, and new ones have appeared. India's top trading partners as of 2020 were:

Exporters: United States, China, United Arab Emirates, Saudi Arabia, Iraq.

Importers: China, United States, United Arab Emirates, Hong Kong, Singapore.

India's commercial partnerships have grown increasingly varied throughout time, even if China, the United States, and the United Arab Emirates have remained three of India's most significant trading partners. Singapore, Hong Kong, Saudi Arabia, and Switzerland are a few of the nations that have recently become important commercial partners for India.

## 5.2 Trading products

Primary commodities like agricultural items, raw resources, and mineral fuels were India's key exports in 1990. Machinery, industrial raw materials, and chemicals made up its primary imports.

Since then, India's economic partnerships have changed, and new items have become important participants. India's primary exports as of 2020 were:

Petroleum-based goods

Jewellery and gemstones Pharmaceuticals

Agricultural items and related goods

Clothing and textiles

Its primary imports were:

Oil at a premium Electronics

Equipment and machinery for Gold Coal

As a result of its expanding power in these sectors, India has emerged as a significant supplier of pharmaceuticals, jewels, and jewellery. In the meantime, its reliance on imported crude oil has grown, and it has become a significant importer of electronic goods and gold, a reflection of its rising demand and consumption for these products.

## 5.3 Comparative advantage sectors

Over the years from 1990 to 2020, India has proven to have a revealed comparative advantage (RCA) in a number of product categories. India has an RCA in a number of the major product categories, including:

Jewellery and stones

Pharmaceuticals

Clothing and textiles

Agricultural items and related goods (including tea, spices, and rice)

Chemicals (include organic chemicals, dyes, and medicaments) (including organic chemicals, dyes, and medicaments)

Steel and iron products

Electrical devices and machinery

Automobiles and auto parts

These sectors are now important contributors to India's economic expansion and exports. They have been crucial in creating jobs, especially in the industrial and service industries. The Indian government has put in place a number of policies to encourage the expansion of these sectors, including trade liberalization measures, infrastructure investments, and R&D initiatives.

## 5.4 Dynamics of associated macroeconomic indicators in India

Between 1990 and 2020, India's linked macroeconomic indicators' dynamics underwent considerable changes. Among the major trends are:

Gross Domestic Product (GDP): Throughout this time, India's GDP grew on average by about 6% annually. Growth has been erratic, nevertheless, with periods of rapid expansion followed by slower growth. Early in the 1990s, there was a noticeable halt in growth, but since then, it has been rising consistently.

India has had ongoing inflation during this time, with average annual rates in the 1990s and early 2000s hovering around 8%. The previous ten years, however, have seen a decrease in inflation, with rates averaging about 4% to 5%.

India has experienced ongoing budget deficits during this time, with the government spending more money than it is bringing in. Early in the 1990s, the budget deficit was unusually significant, but the government gradually reduced it through the implementation of a few policies.

India's continuing current account deficit over all this time has been a reflection of the nation's reliance on imports and foreign investment. Nonetheless, there have been high and low points in the deficit over the course of time.

India's foreign exchange reserves have grown dramatically over the past few decades, acting as a cushion against external shocks and assisting in maintaining currency stability.

Generally, during the past few decades, India's linked macroeconomic indicators have seen considerable changes, reflecting the nation's changing economic environment and political goals. The Indian government has taken a number of steps to address the issues the economy is facing, and these actions have long-term supported growth and stability.

## 5.5 Factors affected the economic growth of India.

Several other elements are significantly influencing India's economic development in addition to foreign trade and related macroeconomic statistics. They consist of:

India has a sizable and expanding population, which generates a sizable amount of labour and consumer demand. Future economic growth is anticipated to be significantly influenced by the demographic dividend of the nation, which refers to the potential for economic growth that can emerge from a young and expanding population.

Infrastructure: In recent years, India's infrastructure—including its electricity grids, communication networks, and transportation networks—has seen substantial advancements. To enable long-term economic growth, additional infrastructure investment is still required.

India has a vast pool of highly trained individuals in a number of industries, including engineering and computer technology. To sustain the economy of the nation, further funding for education and skill development is still required.

Changes in governance and the regulatory environment can assist India attract foreign investment and foster a more favourable business environment. The Indian government has put in place several initiatives to increase corporate accessibility and draw in international capital.

Innovation and Technology: In the modern period, innovation and technology are essential for promoting economic progress. India has achieved considerable progress in the information technology sector and is investing more money in R&D to stimulate innovation in other industries.

Overall, a number of variables are having a significant impact on India's economic growth. The Indian government is taking a number of steps to assist long-term economic growth, including spending money on innovation, education, and infrastructure as well as enhancing governance.

# 6 Conclusion

The purpose of this thesis was to identify the factors that influence the growth of foreign trade in the Republic of India, including the export and import of goods. This was done using a qualitative theme synthesis and descriptive statistical analysis of the key economic indicators. It was ascertained which nations were India's primary trading partners at the start of the investigation period and which ones developed into significant trading partners at the conclusion. It was looked into this matter from both theoretical and empirical angles.

Using comparative methodologies, It was identified the most exported and imported commodities and their shares over the study period. This was done as part of the practical investigation into what types of goods make up the majority of India's international trade turnover. The dynamics of related macroeconomic indices, such as the unemployment rate, inflation, and foreign direct investment, have also been estimated.

India's foreign trade policies have seen a considerable transition over the past three decades, which has resulted in a significant growth in trade volumes and a diversity of trade partners. India's trade policy has changed from being mostly inward-looking and focused on import substitution to being more outward-looking and centered on promoting exports and luring foreign investment.

India started a series of economic reforms in the 1990s with the goal of liberalizing its trade and investment policies, lowering tariff barriers, and removing other regulatory impediments. India's foreign trade has subsequently expanded quickly since that time, with both exports and imports registering notable gains.
For the past three decades, the US, China, the UAE, and the EU have been India's top commercial partners. To diversify its export markets and lessen dependence on any one location, India has recently also concentrated on enhancing its commercial links with other regions, including Southeast Asia, Africa, and Latin America.

With a move toward a more open and liberalized economy over the past three decades, India's foreign commerce has increased dramatically overall. To fully utilize the potential of

India's international trade sector, however, there are still issues that must be resolved, such as raising competitiveness, lowering trade barriers, and improving infrastructure.

Following are some suggestions for future research and economic growth of Indian trade:

Boost industry competitiveness: In order to compete in international trade, India should prioritize boosting the industry competitiveness of its sectors by encouraging innovation, research, and development. This can assist make products and services more productive, cost-effective, and of higher quality, increasing their competitiveness on global markets.

With a focus on regional trade agreements, India may have more opportunity to expand commerce with its neighbors thanks to agreements like the Regional Comprehensive Economic Partnership (RCEP). India should therefore concentrate on taking part in these accords to encourage regional trade integration and improve its trade competitiveness.

Continue to encourage export diversification because India's exports are still mostly focused in a few industries, including textiles, pharmaceuticals, and gems and jewelry. India should keep promoting export diversification by locating new export sectors and markets in order to lessen reliance on any certain sector or market.

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