***TRADE IN INDIA***

***Introduction***

**Foreign trade in India** includes all imports and exports to and from India. At the level of [Central Government](https://en.m.wikipedia.org/wiki/Government_of_India) it is administered by the [Ministry of Commerce and Industry](https://en.m.wikipedia.org/wiki/Ministry_of_Commerce_and_Industry_(India)). Foreign trade accounted for 48.8% of India's GDP in 2018.

## ***History***

[**Indo-Roman trade relations**](https://en.m.wikipedia.org/wiki/Indo-Roman_trade_relations)

Even before independence, the [Government of India](https://en.m.wikipedia.org/wiki/Government_of_India) maintained semi-autonomous diplomatic relations. It had colonies (such as the [Aden Settlement](https://en.m.wikipedia.org/wiki/Colony_of_Aden)), who sent and received full missions, and was a founder member of both the [League of Nations](https://en.m.wikipedia.org/wiki/League_of_Nations) and the United Nations. After India gained independence from the United Kingdom in 1947, it soon joined the [Commonwealth of Nations](https://en.m.wikipedia.org/wiki/Commonwealth_of_Nations) and strongly supported independence movements in other colonies, like the [Indonesian National Revolution](https://en.m.wikipedia.org/wiki/Indonesian_National_Revolution). The [partition](https://en.m.wikipedia.org/wiki/Partition_of_India) and various [territorial disputes](https://en.m.wikipedia.org/wiki/Territorial_dispute), particularly that over [Kashmir](https://en.m.wikipedia.org/wiki/Kashmir_dispute), would strain its [relations with Pakistan](https://en.m.wikipedia.org/wiki/Indo-Pakistani_relations) for years to come. During the [Cold War](https://en.m.wikipedia.org/wiki/Cold_War), India adopted a foreign policy of [non-alignment policy](https://en.m.wikipedia.org/wiki/Neutrality_(international_relations)) itself with any major [power bloc](https://en.m.wikipedia.org/wiki/Power_(international)). However, India developed close [ties with the Soviet Union](https://en.m.wikipedia.org/wiki/Indo%E2%80%93Russia_relations#Soviet_Union_and_India) and received extensive military support from it.

### **Around 100CE**

The [Periplus of the Erythraean Sea](https://en.m.wikipedia.org/wiki/Periplus_of_the_Erythraean_Sea) is a document written by an anonymous sailor from [Alexandria](https://en.m.wikipedia.org/wiki/Alexandria) about 100CE describing trade between countries, including India.

### **Around 1500**

In 1498 [Portuguese explorer](https://en.m.wikipedia.org/wiki/Portugal_in_the_Age_of_Discovery) [Vasco da Gama](https://en.m.wikipedia.org/wiki/Vasco_da_Gama) landed in Calicut (modern day [Kozhikode](https://en.m.wikipedia.org/wiki/Kozhikode) in [Kerala](https://en.m.wikipedia.org/wiki/Kerala)) as the first European to ever sail to India. The tremendous profit made during this trip made the Portuguese eager for more trade with India and attracted other European navigators and tradesmen.

[Pedro Álvares Cabral](https://en.m.wikipedia.org/wiki/Pedro_%C3%81lvares_Cabral) left for India in 1500 and established Portuguese trading posts at Calicut and Cochin (modern day [Kochi](https://en.m.wikipedia.org/wiki/Kochi)), returning to Portugal in 1501 with pepper, ginger, cinnamon, cardamom, nutmeg, mace, and cloves. The profits made from this trip were huge.

### **1991 economic reform**

Prior to the 1991 [economic liberalisation](https://en.m.wikipedia.org/wiki/Economic_liberalisation_in_India), India was a closed economy due to the average tariffs exceeding 200 percent and the extensive quantitative restrictions on imports. Foreign investment was strictly restricted to only allow Indian ownership of businesses. Since the liberalisation, India's economy has improved mainly due to increased foreign trade.

## **Trade in services**

India was the eighth largest exporter of commercial services in the world in 2016, accounting for 3.4% of global [trade in services](https://en.m.wikipedia.org/wiki/Trade_in_services). India recorded a 5.7% growth in services trade in 2016–17.

## **Exports and imports**

India exports approximately 7500 commodities to about 190 countries, and imports around 6000 commodities from 140 countries. India exported US$318.2 billion and imported $462.9 billion worth of commodities in 2014.

The Government of India's Economic Survey 2017–18 noted that five states — Maharashtra, Gujarat, Karnataka, Tamil Nadu and Telangana — accounted for 70% of India's total exports. It was the first time that the survey included international export data for states. The survey found a high correlation between a state's Gross State Domestic Product (GSDP) per capita and its share of total exports. With a high GSDP per capita but low export share, Kerala was the only major outlier because the state's GSDP per capita was heavily influenced by remittances.

The survey also found that the largest firms in India contributed to a smaller percentage of exports when compared to countries like Brazil, Germany, Mexico, and the United States. The top 1% of India's companies accounted for 38% of total exports.

The provisional data for March exports, released by the Ministry of Commerce at the end of April, reveals a grim situation. As per the data, India’s exports during March 2020 accounted for a little over $21.4 billion, despite a promising performance in just the previous month. This fall of approximately 35% year-on-year, as compared to March 2019 ($32.72 billion), is touching a multi-year low, and the figures are bound to fall further. A key thing to note is that exports have fallen across almost all of the commodity groups. Some commodities have registered a decline by over 30-40%, particularly engineering goods, textiles, meat, cereals, plastics and chemicals, which have been the major growth drivers of exports in recent years. As an immediate aftermath of the spread of the COVID-19 pandemic to multiple countries, global demand has fallen significantly and many orders have been cancelled. Further, the disruption of supply chains due to the ongoing lockdown has aggravated the poor performance of Indian exports -- and the situation is likely to worsen in the coming months, before recovery starts. India's electrical machinery and equipment has 40 per cent dependence on imports from China. However this number has reduced from 59.5 per cent in FY18 to 40 per cent in FY19. Although India has increased production of low-end electronic components. Import dependency on China is its major limitation. The automobile sector, which accounts for 7.5 per cent of India's GDP and a massive 49 per cent of the manufacturing GDP, is already facing slowdown. The coronavirus lockdown has made the situation worse for the auto sector as 10 to 30 per cent of automotive components are supplied from China. If factories do not resume activity in China, it could adversely affect the sector.

## ***Trade statistics***

Summary table of recent India foreign trade (in billion $):

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Export** | **Import** | **Trade Deficit** |
| 1999 | 36.3 | 50.2 | -13.9 |
| 2000 | 43.1 | 60.8 | -17.7 |
| 2001 | 42.5 | 54.5 | -12.0 |
| 2002 | 44.5 | 53.8 | -9.3 |
| 2003 | 48.3 | 61.6 | -13.3 |
| 2004 | 57.24 | 74.15 | -16.91 |
| 2005 | 69.18 | 89.33 | -20.15 |
| 2006 | 76.23 | 113.1 | -36.87 |
| 2007 | 112.0 | 100.9 | -11.1 |
| 2008 | 176.4 | 305.5 | -129.1 |
| 2009 | 168.2 | 274.3 | -106.1 |
| 2010 | 201.1 | 327.0 | -125.9 |
| 2011 | 299.4 | 461.4 | -162.0 |
| 2012 | 298.4 | 500.4 | -202.0 |
| 2013 | 313.2 | 467.5 | -154.3 |
| 2014 | 318.2 | 462.9 | -144.7 |
| 2015 | 310.3 | 447.9 | -137.6 |
| 2016 | 262.3 | 381 | -118.7 |
| 2017 | 275.8 | 384.3 | -108.5 |
| 2018 | 303.52 | 465.58 | -162.05 |
| 2019 | 330.07 | 514.07 | -184 |
| 2020 | 314.31 | 467.19 | -152.88 |

The top 10 commodity exports in 2007 were as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  | | --- | --- | --- | --- | --- | | **Rank** | **Commodity** | [**HS**](https://en.m.wikipedia.org/wiki/Harmonized_System)**Code** | **Value (US$ billion)** | **Share (%)** | | 1 | Refined Petroleum | 27 | 61.2 | 19.2 | | 2 | Gems, precious metals, coins | 71 | 41.2 | 13 | | 3 | Vehicles | 87 | 14.5 | 4.6 | | 4 | Machines, engines, pumps | 85 | 13.6 | 4.3 | | 5 | Organic chemicals | 29 | 12.1 | 3.8 | | 6 | Pharmaceuticals | 30 | 11.7 | 3.7 | | 7 | Cereals | 10 | 10.1 | 3.2 | | 8 | Iron and steel | 72 | 9.1 | 2.9 | | 9 | Clothing (not knit or crotchet) | 58 | 9.1 | 2.9 | | 10 | Electronics | 85 | 9.1 | 2.8 | |

The top 10 commodity imports in 2007 were as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Rank** | **Commodity** | **HS Code** | **Value (US$ billion)** | **Share (%)** |
| 1 | Oil | 27 | 177.5 | 38.3 |
| 2 | Gems, precious metals, coins | 71 | 60 | 13 |
| 3 | Electronics | 85 | 32 | 6.9 |
| 4 | Machines, engines, pumps | 85 | 31.2 | 6.7 |
| 5 | Organic chemicals | 29 | 18.3 | 4 |
| 6 | Plastics | 39 | 11.8 | 2.6 |
| 7 | Iron and steel | 72 | 11.4 | 2.5 |
| 8 | Animal/vegetable fats and oils | 15 | 10.7 | 2.3 |
| 9 | Ores, slag and ash | 26 | 7.4 | 1.6 |
| 10 | Medical and technical equipment | 90 | 7.1 | 1.5 |

## ***Trading partners of India***

India's largest trading partners in order of value of total trade are [Bangladesh](https://en.m.wikipedia.org/wiki/Bangladesh), [Bhutan](https://en.m.wikipedia.org/wiki/Bhutan), [Germany](https://en.m.wikipedia.org/wiki/Germany), [HongKong](https://en.m.wikipedia.org/wiki/Hong_Kong), [Iraq](https://en.m.wikipedia.org/wiki/Iraq), [Israel](https://en.m.wikipedia.org/wiki/Israel), [Japan](https://en.m.wikipedia.org/wiki/Japan), [Nepal](https://en.m.wikipedia.org/wiki/Nepal), [Russia](https://en.m.wikipedia.org/wiki/Russia), [Saudi Arabia](https://en.m.wikipedia.org/wiki/Saudi_Arabia), [Singapore](https://en.m.wikipedia.org/wiki/Singapore), [Switzerland](https://en.m.wikipedia.org/wiki/Switzerland), the [United Arab Emirates](https://en.m.wikipedia.org/wiki/United_Arab_Emirates) and the [United States](https://en.m.wikipedia.org/wiki/United_States). India is biggest exporter of [pharmaceuticals](https://en.m.wikipedia.org/wiki/Pharmaceuticals), some food products and is a [mixed economy](https://en.m.wikipedia.org/wiki/Mixed_economy).

***Economy of India***

The **economy of India** is characterised as a [developing](https://en.m.wikipedia.org/wiki/Developing_country) [market economy](https://en.m.wikipedia.org/wiki/Market_economy). It is the world's [sixth-largest](https://en.m.wikipedia.org/wiki/List_of_countries_by_GDP_(nominal)) economy by [nominal GDP](https://en.m.wikipedia.org/wiki/Gross_domestic_product) and the [third-largest](https://en.m.wikipedia.org/wiki/List_of_countries_by_GDP_(PPP)) by [purchasing power parity](https://en.m.wikipedia.org/wiki/Purchasing_power_parity) (PPP). According to the [IMF](https://en.m.wikipedia.org/wiki/IMF), on a per capita income basis, [India](https://en.m.wikipedia.org/wiki/India) ranked [142nd by GDP (nominal)](https://en.m.wikipedia.org/wiki/List_of_countries_by_GDP_(nominal)_per_capita) and [124th by GDP (PPP)](https://en.m.wikipedia.org/wiki/List_of_countries_by_GDP_per_capita_(PPP)) in 2020. From [independence in 1947](https://en.m.wikipedia.org/wiki/Independence_of_India) until 1991, successive governments promoted [protectionist](https://en.m.wikipedia.org/wiki/Protectionist) economic policies with extensive [state intervention and regulation](https://en.m.wikipedia.org/wiki/Licence_Raj) which is characterised as [Dirigism](https://en.m.wikipedia.org/wiki/Dirigisme). The end of the [Cold War](https://en.m.wikipedia.org/wiki/Cold_War) and an acute [balance of payments crisis](https://en.m.wikipedia.org/wiki/1991_Indian_economic_crisis) in 1991 led to the adoption of a broad [program of economic liberalisation](https://en.m.wikipedia.org/wiki/Economic_liberalisation_in_India). Since the start of the 21st century, annual average GDP growth has been 6% to 7%, and from 2014 to 2018, India was the world's [fastest growing major economy](https://en.m.wikipedia.org/wiki/List_of_countries_by_real_GDP_growth_rate), surpassing China. Historically, India was the [largest economy in the world for most of the two millennia](https://en.m.wikipedia.org/wiki/List_of_regions_by_past_GDP_(PPP)) from the 1st until 19th century.

The following is a list of export product categories that were exported the most and fetched foreign currency for India. The list includes the HS Codes and the value of the product exported. The data referenced in the system do not have any legal sanctity and is for general reference only.

List of exports 2017

The following is the list of top 30 export product categories. Data is for 2017, as reported by Department of Commerce, Government of India.

|  |  |  |  |
| --- | --- | --- | --- |
| HSCode | Product | Value (ThousandsIRS) |  |
| 1. | 71 | Minerals | 43,623.16 |
| 2. | 27 | Refined petroleum | 32,435.65 |
| 3. | 87 | Automobiles | 14,950.08 |
| 4. | 84 | Machinery and mechanical appliances | 14,100.58 |
| 5. | 29 | Organic chemicals | 11,688.52 |
| 6. | 30 | Pharmaceutical products | 12,930.48 |
| 7. | 72 | Iron and steel | 8,682.99 |
| 8. | 62 | Textiles | 9,164.61 |
| 9. | 61 | Knit apparel and accessories | 8,223.74 |
| 10. | 85 | Electrical machinery | 8,232.02 |
| 11. | 10 | Cereal | 6,012.95 |
| 12. | 03 | Seafood | 5,501.05 |
| 13. | 73 | Iron and Steel articles | 5,916.09 |
| 14. | 52 | Cotton. | 6,611.05 |
| 15. | 39 | Plastics | 5,294.11 |
| 16. | 89 | Ships and marine equipment | 4,524.25 |
| 17. | 63 | Clothing | 4,705.34 |
| 18. | 76 | Aluminium | 3,223.05 |
| 19. | 02 | Meat. | 4,037.61 |
| 20. | 38 | Miscellaneous Chemical products. | 3,249.08 |

Foreign trade figures of India

**Foreign Trade**

India used to be a protectionist state for a long time, but the country has become progressively more open to international trade. Currently, trade represents 43.3% of the country's GDP. The country mainly exports petroleum oils (14.6%), diamonds (7.9%), medicaments (4%), articles of jewellery (3.8%), and rice (2.3%), while it imports petroleum oils (22.6%), gold (6.3%), diamonds (5.2%), coal and similar solid fuels (4.8%), petroleum gas and other gaseous hydrocarbons (3.7%).

India's main partners are the United States, the United Arab Emirates, Hong Kong, China, Singapore, Saudi Arabia, and Iraq. The country has recently signed free trade agreements with South Korea and ASEAN, and has entered into negotiations with several partners (EU, MERCOSUR, Australia, New Zealand and South Africa). In January 2020, India and Brazil agreed to boost trade and investment across a range of fields in each other’s country and they are confident that a bilateral trade target of USD 15 billion could be set for 2022. India is currently the world’s fastest-growing large economy, as well as the world's eighth largest exporter and tenth largest importer of commercial services. However, India’s trade regime and regulatory environment still remains relatively restrictive.

The country's trade balance is structurally negative, given that the country imports nearly 80% of its energy needs. India benefited from the decline in world hydrocarbon prices for its imports, which led to a slight reduction in the trade deficit up until 2016. From 2017, the trade deficit has been increasing. In 2018, India exported USD 324 billion worth of goods, while imports accounted for USD 514 billion, resulting in a negative trade balance of USD 186 billion. According to the WTO, in the same year the exports of services amounted to USD 204,5 billion, whereas the imports of services stood at USD 175,5 billion, leading to a decrease of the overall trade deficit.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Foreign Trade Values | 2015 | 2016 | 2017 | 2018 | 2019 |
| Imports of Goods (million USD) | 391,977 | 359,065 | 449,925 | 514,464 | 486,059 |
| Exports of Goods (million USD) | 267,147 | 264,020 | 299,241 | 324,778 | 324,250 |
| Imports of Services (million USD) | 122,225 | 133,710 | 153,960 | 174,925 | 178,071 |
| Export of Services (million USD) | 155,288 | 161,845 | 184,673 | 204,323 | 213,731 |

Source: World Trade Organisation (WTO) ; Latest available data

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Foreign Trade Indicators | 2015 | 2016 | 2017 | 2018 | 2019 |
| Foreign Trade (in % of GDP) | 41.9 | 40.1 | 40.7 | 43.4 | 40.0 |
| Trade Balance (million USD) | -136,884 | -107,476 | -148,134 | -186,692 | -154,106 |
| Trade Balance (Including Service) (million USD) | -63,249 | -41,579 | -72,212 | -105,918 | -70,375 |
| Imports of Goods and Services (Annual % Change) | -5.9 | 4.4 | 17.4 | 8.6 | -5.5 |
| Exports of Goods and Services (Annual % Change) | -5.6 | 5.0 | 4.6 | 12.3 | -1.9 |
| Imports of Goods and Services (in % of GDP) | 22.1 | 20.9 | 21.9 | 23.6 | 21.4 |
| Exports of Goods and Services (in % of GDP) | 19.8 | 19.2 | 18.8 | 19.9 | 18.7 |

Main Partner Countries

|  |  |
| --- | --- |
| **Main Customers** | **(% of Exports) 2019** |
| United States | 16.8% |
| United Arab Emirates | 9.1% |
| China | 5.3% |
| Hong Kong | 3.6% |
| Singapore | 3.3% |
| See More Countries | 61.8% |
|  |  |
| **Main Suppliers** | **(%of Imports) 2019** |
| China | 14.3% |
| United States | 7.3% |
| United Arab Emirates | 6.3% |
| Saudi Arabia | 5.6% |
| Iraq | 4.6% |
| See More Countries | 61.8% |

**Main Products**

323.3 bn USD of products exported in 2019

Petroleum oils and oils obtained from bituminous... 13.2%

Diamonds, whether or not worked, but not mounted... 6.8%

Medicaments consisting of mixed or unmixed... 4.5%

Articles of jewellery and parts thereof, of... 4.2%

Motor cars and other motor vehicles principally... 2.2%

See More Products 69.2%

478.9 bn USD of products imported in 2019

Petroleum oils and oils obtained from bituminous... 21.3%

Gold, incl. gold plated with platinum, unwrought... 6.5%

Coal; briquettes, ovoids and similar solid fuels... 4.7%

Diamonds, whether or not worked, but not mounted... 4.6%

Petroleum gas and other gaseous hydrocarbons 3.6%

See More Products 59.3%