Foreign Trade in India: Trends, Patterns and Structural Changes over a Quarter Century

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Introduction

Foreign trade is a vital sector of a country's national economy and contributes significantly to the economic welfare of its people and the development and efficient utilization of resources. It enables countries to benefit from economies of scale and international specialization while providing access to the benefits of scientific and technological progress taking place across the world. In the context of planned economic development, particularly in developing countries, an appropriate and effective trade policy is essential for promoting economic growth and development. Developing economies require increasing quantities of goods and resources to meet the needs of their growing populations, while exports can serve as an important source of economic expansion by creating markets beyond the domestic economy.

Foreign trade has considerable significance in the global economy as it facilitates the exchange of goods, services, capital, technology, knowledge, and skills among countries. It promotes the dissemination of technical knowledge and the transfer of ideas, managerial expertise, entrepreneurial capabilities, and technological know-how. The expansion of international trade has also supported the industrialization and economic transformation of many countries by enabling access to wider markets, imported inputs, advanced technologies, and foreign investment. In addition, the expansion of foreign trade can encourage international capital movements and strengthen economic linkages among nations.

Overall, foreign trade can have a profound influence on the growth and development of an economy through its effects on production, employment, investment, technology transfer, productivity, resource utilization, and market expansion. Therefore, examining the long-term trends and patterns of foreign trade is essential for understanding the changing structure and performance of an economy, particularly in a developing country such as India.

The New Economic Policy introduced in 1991 brought significant changes to India's trade regime. As part of the trade liberalization process, the Government of India implemented major reforms aimed at reducing restrictions on international trade and creating a more open and competitive trade environment. Two important measures were the gradual elimination of quantitative restrictions on imports and the adoption of a relatively low and more uniform tariff structure. Several quantitative restrictions on imports and exports were subsequently withdrawn, thereby facilitating greater integration of the Indian economy with the global market.

Another major feature of the trade reforms was the substantial reduction in customs duties, particularly the peak tariff rates. In the early 1990s, peak tariff rates were very high, exceeding 100 per cent in some cases. These rates were progressively reduced during the reform period. By 1996–97, the

ISBN code 978-81-999803-3-4

peak tariff had declined substantially to around 50 per cent. Although there was relatively little change in the peak tariff during the subsequent years, further reductions were introduced from 2000–01, when the peak rate was brought down to around 35 per cent. By 2005–06, the peak customs duty had been reduced further to approximately 12.5 per cent.

These trade policy reforms represented a major shift from a highly protected trade regime towards greater liberalization and integration with the world economy. The reduction in quantitative restrictions and tariff rates contributed to increased openness, greater competition, and improved access to international markets and imported inputs. These changes also provided an important foundation for the subsequent expansion and transformation of India's foreign trade.

Regional trading arrangements are being pursued by countries across the world for a variety of economic and strategic reasons. Among these, the prospect of enhancing economic growth remains a common motivation for participating in countries. Economic integration, in its various forms, can contribute to the expansion of regional markets, facilitate economies of scale in production, promote specialization, encourage foreign investment, and provide greater access to advanced technologies and technical knowledge. Regional integration can therefore strengthen economic linkages among participating countries and create opportunities for increased trade and investment.

Trade policy refers to the framework through which a country regulates and facilitates its imports and exports. Such regulation may relate to the volume, composition, and direction of international trade. Trade policy is generally influenced by a country's broader domestic economic policies and establishes the policy framework, parameters, and guidelines governing different categories of commodities in its trade basket. Consequently, trade policy plays an important role in determining the volume and composition of a country's imports and exports (Mukherjee, 1998; Mathur, 2003). The interaction between regional trading arrangements and national trade policy is particularly important in determining the direction and structure of foreign trade. While regional integration can expand market opportunities and facilitate investment and technology transfer, trade policy determines the conditions under which goods and services enter and leave the domestic economy. Thus, changes in trade policy and regional economic integration can significantly influence the long-term trends and patterns of a country's foreign trade.

Objectives and Data Sources of the Study

The present study aims to provide a comprehensive analysis of India's position and performance in world trade during the post-reform period. It examines the trends, patterns, and structural changes in India's foreign trade over the first quarter century of the twenty-first century, covering the period from 2000–01 to 2024–25. The study focuses on the changing trends in exports, imports, and total foreign trade, with a view to understanding the evolution of India's international trade and its role in the country's economic development during the study period.

The study is based primarily on secondary data obtained from reliable, published sources, particularly the *Handbook of Statistics on the Indian Economy* published by the Reserve Bank of India (RBI) and relevant publications of the Government of India. The collected data are analysed using percentages, growth rates, and graphical presentations to identify changes in the volume, direction, and pattern of India's foreign trade. The study also seeks to identify major trends and structural changes that have occurred in India's trade performance during the study period and to understand the evolving role of foreign trade in the Indian economy.

ISBN code 978-81-999803-3-4

Data Analysis and Interpretation:

Table – 1 : Total Export and Import in India (2000-01 - 2024-25)

(in ₹ crores)

Year	*Total Export*	*Growth Rate (in %)*	*Total Import*	*Growth Rate (in %)*
2000-01	2,03,571	27.58	2,15,237	20.69
2001-02	2,09,018	2.60	2,45,200	13.92
2002-03	2,55,137	22.06	2,97,206	21.12
2003-04	2,93,367	14.98	3,59,108	20.83
2004-05	3,75,340	27.94	5,01,065	39.53
2005-06	4,56,418	21.60	6,60,409	31.80
2006-07	5,71,779	25.23	8,40,506	27.27
2007-08	6,55,864	14.71	10,12,312	20.44
2008-09	8,40,755	28.19	13,74,436	35.77
2009-10	8,45,534	0.57	13,63,736	-0.90
2010-11	11,18,823	32.32	16,05,315	11.77
2011-12	14,65,960	31.03	23,45,463	46.11
2012-13	16,35,261	11.55	26,69,162	13.80
2013-14	19,05,011	16.50	27,15,434	1.73
2014-15	18,96,445	-0.45	27,37,087	0.80
2015-16	17,16,384	-9.50	24,90,306	-9.02
2016-17	18,49,434	7.75	25,77,675	3.51
2017-18	19,56,515	5.79	30,01,033	16.42
2018-19	23,07,726	17.95	35,94,675	19.78
2019-20	22,19,854	-3.88	33,60,954	-6.65
2020-21	21,59,043	-2.24	29,15,958	13.25
2021-22	31,47.021	45.79	45,72,755	56.82
2022-23	36,21,550	15.08	57,49,801	25.74
2023-24	36,18,952	-0.08	56,16,042	-2.33
2024-25	37,01,706	2.29	60,89,909	8.44

(Source: RBI Handbook of Statistics of Indian Economy)

Table no-1 explains the total value of exports and imports, and their growth rate are presented.

During the first year of the study period (2000–2001), the export growth rate was 27.58 per cent, compared with an import growth rate of 20.69 per cent. In the subsequent years, the growth rates of exports and imports exhibited a fluctuating trend. However, from 2003–2004 to 2008–2009, the export growth rate remained lower than the import growth rate. This trend may be associated with changes in trade and economic policies during the first term of the United Progressive Alliance (UPA) government, as well as rising domestic demand for energy and manufactured goods, which contributed to faster import growth. Furthermore, the global financial crisis of 2008–2009 adversely

affected international trade and may have contributed to fluctuations in export and import growth. These factors taken together may help explain the relatively slow growth of exports compared with imports during this period.

In 2009–10, the export growth rate was 0.57 per cent, while the import growth rate recorded a negative growth of 0.90 per cent. This was an exceptional situation observed in only one year during the period under study. It may be attributed to the adverse effects of the global financial crisis on the domestic economy, which affected international trade. Furthermore, limited foreign exchange reserves may have constrained the country's capacity to finance imports. Consequently, import growth turned negative, while export growth remained marginally posit

The data indicate that export and import growth slowed after the initial post-crisis recovery. Export growth declined from 32.32 per cent in 2010–11 to 11.55 per cent in 2012–13, while import growth fell from 46.11 per cent in 2011–12 to 13.80 per cent in 2012–13. This suggests a moderation in international trade growth following the initial recovery, with both exports and imports moving towards a slower growth trajectory.

From 2014–15 to 2017–18, export growth rates were −0.45 per cent −9.50, per cent 7.7 per cent and 5.79 per cent, respectively, while import growth rates were 0.80%, −9.02 per cent, 3.51 per cent, and 16.42 per cent. This indicates fluctuations in India's international trade during the period. The decline in exports may partly be attributed to factors affecting merchandise trade, while the sharp increase in imports in 2017–18, driven in part by higher crude oil prices and increased demand for electronic goods, contributed to a widening trade deficit.

Further, in the years 2019–20 and 2020–21, the growth rates of exports were −3.88 per cent and −2.24 per cent, respectively, while the growth rates of imports were −6.65 per cent and 13.25 per cent, respectively. These trends can largely be attributed to the COVID-19 pandemic, which severely disrupted global trade. The lockdowns imposed across the world, restrictions on international movement, disruptions in supply chains, and reduced economic activity adversely affected the trade scenario during this period.

Furthermore, in the years 2021–22 and 2022–23, the growth rates of exports were 45.79 per cent and 15.08 per cent respectively, while the growth rates of imports were 56.82 per cent and 25.74 per cent, respectively. This remarkable growth can be attributed to the recovery in global economic activity following the COVID-19 pandemic. The release of pent-up global demand, the easing of lockdown restrictions, and the revival of domestic and international economic activities contributed to a significant increase in India's exports and imports. Consequently, India's foreign trade witnessed a strong rebound, reaching exceptionally high growth levels during this period compared with the preceding pandemic-affected years.

In the years 2023–24 and 2024–25, the growth rates of exports were −0.8 per cent and 2.29 per cent, respectively, while the growth rates of imports were −2.33 per cent and 8.44 per cent, respectively. This trend can be partly attributed to geopolitical tensions in the Middle East, fluctuations in global crude oil prices, and uncertainties in the international trading environment. These factors increased trade-related costs and affected global supply chains, thereby influencing India's export and import performance. However, the subsequent recovery in export growth and the rise in import growth during 2024–25 indicate a gradual adjustment in India's foreign trade amid continuing global economic uncertainties.

ISBN code 978-81-999803-3-4

Table – 2

Total Export, Total Import, Balance of Trade and the percentages of Exports to Imports in India (2000-01 to 2024-25)

(in ₹. Crores)

Year	*Total Export*	*Total Import*	*Balance of Trade*	*% of Export to Import*
2000-01	2,03,571	2,15,237	-11,666	94.57
2001-02	2,09,018	2,45,200	-36,182	85.24
2002-03	2,55,137	2,97,206	-42,069	85.84
2003-04	2,93,367	3,59,108	-65,741	81.69
2004-05	3,75,340	5,01,065	-1,25,725	74.91
2005-06	4,56,418	6,60,409	-2,03,991	69.11
2006-07	5,71,779	8,40,507	-2,68,728	68.03
2007-08	6,55,864	10,12,311	-3,56,447	64.79
2008-09	8,40,755	13,74,436	-5,33,681	61.18
2009-10	8,45,534	13,63,736	-5,18,202	62.00
2010-11	11,18,823	16,05,315	-4,86,492	69.69
2011-12	14,65,960	23,45,463	-8,79,503	62.50
2012-13	16,35,261	26,69,162	-10,33,901	61.26
2013-14	19,05,011	27,15,434	-8,10,423	70.15
2014-15	18,96,445	27,37,087	-8,40,642	69.29
2015-16	17,16,384	24,90,306	-7,73,922	68.92
2016-17	18,49,434	25,77,675	-7,28,241	71.75
2017-18	19,56,515	30,01,033	-10,44,518	65.19
2018-19	23,07,726	35,94,675	-12,86,949	64.20
2019-20	22,19,854	33,60,954	-11,41,100	66.05
2020-21	21,59,043	29,15,958	-7,56,915	74.04
2021-22	31,47,021	45,72,755	-14,25,734	68.82
2022-23	36,21,550	57,49,801	-21,28,251	62.99
2023-24	36,18,952	56,16,042	-19,97,090	64.44
2024-25	37,01,070	60,89,909	-23,88,839	60.77

(Source: RBI Handbook of Statistics of Indian Economy)

The total values of exports and imports, the balance of trade, and the percentage of exports to imports are presented in Table 2. The value of exports increased from ₹2,03,571 crore in 2000–01 to ₹37,01,070 crore in 2024–25, representing an increase of more than 18 times over the study period. Similarly, the value of imports increased more than 28 times during the same period. The trade deficit also widened considerably, increasing from ₹11,666 crore in 2000–01 to ₹23,88,839 crore in 2024–25. These figures indicate that although India's exports registered substantial growth, imports increased at a faster rate, contributing to the widening trade deficit. However, fluctuations in the trends of both exports and imports were observed throughout the study period, reflecting changes in domestic economic conditions, global demand, international commodity prices, and the overall global trading environment.

ISBN code 978-81-999803-3-4

Further, it is observed that the ratio of exports to imports declined from 94.57 per cent in 2000–01 to 60.77 per cent in 2024–25, indicating that imports increased at a faster rate than exports during the study period. This trend highlights the growing importance of international trade in meeting domestic demand for goods and services, including products that are scarce or unavailable in the domestic market. Global trade facilitates the availability of a wide range of goods, improves access to essential resources and technology, and contributes to improvements in living standards. In addition, international trade has played a vital role in India's overall economic growth by expanding market opportunities, promoting industrial development, generating employment, and strengthening the country's integration into the global economy throughout the study period.

Table -3

Decade wise Export, Import and Balance of Trade and Percentage of Export to Import in India

(1951-52 -2021-22)

(in Dollar US million)

Year	Export	Import	BOT	Exports to Imports ratio
1951-52	1,540	1,981	-441	77.73
1961-62	1,389	2.294	-905	60.53
1971-72	2,144	2,433	-289	88.11
1981-82	8,704	15,173	-6465	57.36
1991-92	17,865	19,410	-1545	92.06
2001-02	43,827	51,413	-7586	85.25
2011-12	3,05,964	4,89,320	-183356	62.53
2021-22	4,22,004	6,13,052	-191,048	68.84

(Source: RBI-Handbook of Statistics of Indian Economy)

Table no- 3 explains the details of the decadal wise export, Import and Balance of payments are presented from 1951-52 to 2021-22.

From 1951–52 to 1971–72, India's total exports increased from US$1,540 million to US$2,144 million, while total imports rose from US$1,981 million to US$2,433 million. Consequently, the balance of trade improved from a deficit of US$441 million to a deficit of US$289 million. During the same period, the ratio of exports to imports increased from 77.33 per cent to 88.11 per cent. In the subsequent period, exports reached US$17,865 million, while imports amounted to US$19,410 million, resulting in a trade deficit of US$1,545 million. The export-to-import ratio also increased to 92.06 per cent. These improvements in India's export performance can be partly attributed to the implementation of the Green Revolution, which increased agricultural production and strengthened the country's capacity to meet domestic demand and support agricultural exports. In addition, investments in the manufacturing sector contributed to the expansion of industrial production and the diversification of export commodities. The growth of the service sector also played an important role in strengthening the economy and supporting international trade. Together, developments in agriculture, manufacturing, and services contributed to changes in India's trade performance during this period.

ISBN code 978-81-999803-3-4

Since the beginning of the globalization era, from 1991–92 to 2021–22, India's exports increased from US$17,865 million to US$422,004 million, while imports rose from US$19,410 million to US$613,052 million. During the same period, the balance of trade deficit widened from US$1,545 million to US$191,048 million. Meanwhile, the export-to-import ratio declined from 92.06 per cent to 68.84 per cent. These trends indicate that economic reforms have contributed to a substantial expansion of India's international trade by facilitating significant growth in both exports and imports. However, the declining export-to-import ratio and the widening trade deficit suggest that imports have grown faster than exports. Therefore, although the reforms have enhanced India's integration into the global economy, further efforts are needed to strengthen export performance, reduce the trade deficit, and improve India's competitive position in international markets.

Table-4
Trends in Foreign Trade in India

(in percentage)

Year	*Exports to GDP*	*Imports to GDP*	*Trade*
1971-72	3.27	3.71	6.98
1981-82	4.61	8.03	12.64
1991-92	6.74	7.32	14.06
2001-02	9.20	10.79	19.99
2011-12	23.50	29.40	52.90
2021-22	13.30	25.70	49.00

(Source: RBI Handbook of Statistics of Indian Economy)

The above Table 4 presents the trends in India's foreign trade from 1971–72 to 2021–22, covering a period of half a century. In 1971–72, exports accounted for 3.27 per cent of GDP, while imports accounted for 3.71 per cent. Thus, the overall trade-to-GDP ratio stood at 6.98 per cent at the beginning of the study period. By 1991–92, the year in which the New Economic Policy was introduced, exports as a percentage of GDP had increased to 6.74 per cent, while imports accounted for 7.32 per cent of GDP. Consequently, the overall trade-to-GDP ratio increased to 14.06 per cent. These trends clearly indicate that both exports and imports increased almost twofold during the two decades between 1971–72 and 1991–92.

During the reform period, India's integration with the global economy became more pronounced. The share of exports in GDP reached 23.50 per cent, while imports accounted for 29.40 per cent of GDP, resulting in an overall trade-to-GDP ratio of 52.90 per cent. This substantial increase reflects the expansion of India's external trade following the economic liberalisation and trade reforms initiated in 1991.

Furthermore, during the last decade of the study period, a change in the trend can be observed. The export-to-GDP ratio declined from 23.50 per cent in 2011–12 to 13.30 per cent in 2021–22. Similarly, the import-to-GDP ratio declined from 29.40 per cent to approximately 25.70 per cent, while the overall trade-to-GDP ratio declined from 52.90 per cent to 49.00 per cent. The decline in trade intensity during this period was influenced by several factors, including disruptions associated with the COVID-19 pandemic, which adversely affected production, transportation, international supply chains, and global demand. Thus, the final decade of the study period reflects a moderation in India's trade intensity compared with the preceding reform period.

ISBN code 978-81-999803-3-4

Conclusion

Foreign trade plays a vital role in the economic development of India. The New Economic Policy of 1991 gave a significant impetus to foreign trade by reducing trade barriers, liberalizing import policies, and gradually removing quantitative restrictions and quota systems. These reforms contributed to the expansion of India's exports and imports over the study period. However, the persistent trade deficit highlights the need for a comprehensive review of import composition and policies to promote export growth. The findings of the study reveal that India's imports exceeded its exports throughout the period under consideration. Therefore, the study emphasizes the need to rationalize imports, strengthen domestic production, promote export competitiveness, and maintain a sustainable balance between exports and imports. Such measures are important for managing foreign exchange reserves, reducing external imbalances, and ensuring the long-term stability of the Indian economy.

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