

Foreign Trade



Trends of Foreign Trade in India
Part B

Foreign Trade Since Independence

- ❖ India's foreign trade post independence can be divided into several phases; these are
 - A. On the Eve of Planning- 1948-49 to 1950-51
 - B. The first Plan Period 1952-52 to 1955-56
 - C. The Second Plan Period 1956-57 to 1960-61
 - D. The Third Plan Period 1961-62 to 1965-66
 - E. Devaluation of 1960 and the period upto 1973-74
 - F. The Fifth Plan Period 1974-79
 - G. The Sixth and Seventh Plan Period - 1980 onwards
 - H. India's Foreign Trade 1989-90 and thereafter

D. The Third Plan Period 1961-62 to 1965-66

- ❖ The record of exports during the third plan shows that average exports earnings worked out to be Rs 747 crores
- ❖ As against it, actual annual average imports worked out to be Rs 1224 crores
- ❖ The increase in the volume of imports during the Third Plan was due to three factors

D. The Third Plan Period 1961-62 to 1965-66

- ❖ Firstly, rapid industrialisation necessitated larger imports of machinery, equipment, industrial raw material and technical know how
- ❖ Secondly, the defence needs had increased following aggression by China and Pakistan
- ❖ Finally, large quantity of food grains was imported, partly because it was easily available and partly because of the extensive failure of crops in 1965-66

E. Devaluation of 1960 and the period unto 1973-74

- ❖ Persistent adverse balance of trade since 1951,
- ❖ Consequence adverse balance of payments,
- ❖ Acute shortage of foreign exchange,
- ❖ Extensive borrowing by India from foreign countries and
- ❖ International institutions like IMF to overcome balance of payments problems

E. Devaluation of 1960 and the period unto 1973-74

- ❖ All these factors induced India to devalue the Rupee by 36.5 percent in June, 1966, Devaluation was resorted to essentially
 - A. To reduce the volume of imports
 - B. To boost exports, and
 - C. Create a favourable balance of trade and balance of payments

E. Devaluation of 1960 and the period unto 1973-74

- ❖ Since devaluation was announced during a year of drought and the following year again happened to be a of bad weather year
- ❖ And also it was the year when the government announced its policy of liberalising imports in case of 59 industries,
- ❖ The immediate effect of devaluation was the further aggravation of the trade deficit

E. Devaluation of 1960 and the period unto 1973-74

- ❖ Although after devaluation of the rupee, exports increased during 1966-67 and 1967-68
- ❖ But on account of relative inelasticity of imports, the import bill literally soared Rs 1992 crores in 1966-67 and Rs 2043 crores in 1967-68
- ❖ As a consequence, the balance of trade situation worsened

E. Devaluation of 1960 and the period unto 1973-74

- ❖ However, with a better crop during 1968-69, food grains imports declined
- ❖ Moreover, devaluation also produced its healthy effect in stimulating exports
- ❖ In the overall sense, trade deficit during the Fourth Plan was of much lower magnitude as compared with the period of the Second Plan, Third Plan and the Annual Plans

To be Continued...

Thank You