

# Foreign Trade



*Trends of Foreign Trade in India*  
*Part C*

# 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 unto 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

## F. The Fifth Plan Period 1974-79

- ❖ The hike in oil prices which started in October 1973 seriously affected the pattern of trade throughout the world and India was no exception
- ❖ The value of imports during the Fifth Plan period reached very high levels - largely the result of a sharp increase in the cost of India's major imports viz., petroleum, fertilisers and food grains
- ❖ Simultaneously, there was a significant improvement in India's exports as they successively rose every year during the Fifth Plan period

## F. The Fifth Plan Period 1974-79

- ❖ The rise was so fast that by 1976-77 exports exceeded imports by Rs 69 crores - balance of trade surplus emerged for the second time since 1951
- ❖ Exports of Fish and Fish preparation, Coffee, Tea, Groundnuts, cotton fabrics and readymade garments and handicrafts recorded substantial increase in this period

## F. The Fifth Plan Period 1974-79

- ❖ Another interesting fact was, the Janta Government followed a policy of haphazard import liberalisation at a time when export boom had almost petered out
- ❖ The Result was the re-emergence of the trade deficit from 1977-78 onwards

## G. The Sixth and Seventh Plan Period - 1980 onwards

- ❖ On account of further increase in the prices of petroleum products by OPEC, the imports bill shot up
- ❖ Though exports too continued to rise, the value of exports fell much short of imports
- ❖ The result, was unprecedented trade deficits, from nearly Rs 2450 to crores in 1979-80 to Rs 5838 crores in 1980-81

## G. The Sixth and Seventh Plan Period - 1980 onwards

- ❖ It was this yawning deficit which forced the Government to approach the IMF in November, 1981 for a huge loan
- ❖ The same situation continued in 1983-84 and the trade deficit further rose to about Rs 6061 crores
- ❖ The huge trade deficit compelled the Government to approach the World Bank/IMF for an unprecedented loan of over Dollar 6.7 billion
- ❖ The Government was also forced to apply brakes on the licensing policy of imports licences

## H. India's Foreign Trade 1989-90 and thereafter

- ❖ During, 1990-91, according to DGCI&S figures, there is no doubt that a push was given to our export efforts and export shot up to Rs 32,558 crores in 1990-91 indicating an increase of 17.7%
- ❖ But as a consequence of the Gulf War, the Government failed to curb imports and they reached a record level of Rs 43,193 crores- an increase of 22.6%
- ❖ As a result of the sharp increase in imports, trade deficit shot unto high figure of Rs 10,635 crores

## H. India's Foreign Trade 1989-90 and thereafter

- ❖ During 1991-92, exports in Dollar terms showed a decline by 1.5% compared with 1990-91
- ❖ But import compression was much sharper by 19.4%
- ❖ Despite the fact that the Government introduced a number of measures in the new trade policy allowing exit scrips, abolishing cash compensatory support (CCS) schemes as also a two step devaluation of the Rupee, but these measures failed to boost up exports

## H. India's Foreign Trade 1989-90 and thereafter

- ❖ This was largely due to the difficult political situation in the erstwhile Soviet Union leading to its disintegration
- ❖ Consequently, exports did not pick up but resulted in a decline
- ❖ During 1992-93, exports rose by merely 3.7% in dollar terms
- ❖ But as against them, imports increased by a much larger margin of 12.7%
- ❖ Consequently, balance of Trade deficit which was of the order of \$1545 million in 1991-92 rose to a high figure of \$3,345 million in 1992-93

Thank You