

India-People and Economy

Chapter-11 International Trade

Key Notes:

- India's International trade has undergone a vast change in recent years in terms of volume, composition as well as direction
- India's contribution in the world trade is as low as 1% of the total volume
- In 1950-51, India's external trade was worth Rs.1,214 crore, which rose to Rs. 22,09,270 crore in 2009-10. The main reason behind such rise is mainly due to increase in manufacturing sectors, the liberal policies of the government and the diversification of markets

Changing Pattern of the Composition of India's Exports

- The composition of commodities in India's international trade has been undergoing a change over the years
- The share of agriculture and allied products has declined whereas shares of petroleum and crude products and other commodities have increased
- The shares of ore minerals and manufactured goods have largely remained constant over the years from 1997-98 to 2003-04
- The increase in the share of petroleum products is due to a rise in petroleum prices as well as increase in India's refining capacity
- There is a great decline in the exports of traditional items such as coffee, spices, tea, pulses, etc. though an increase has been registered in floricultural products, fresh fruits, marine products and sugar, etc. This decline is mainly due to the tough international competition
- Manufacturing sector accounted for 68.0% of India's total value of export in 2010-11
- Engineering goods have shown a significant growth in the export list
- China and other East Asian countries are our major competitors
- Gems and jewellery contributes a larger share of India's foreign trade



Changing Patterns of the Composition of India's Import

- India faced serious food shortage during 1950s and 1960s. The major item of import at that time was foodgrain, capital goods, machinery and equipments. The balance of payment was adverse as imports were more than export in spite of all the efforts of import substitution
- After 1970s, foodgrain import was discontinued due to the success of green revolution
- Foodgrain import was replaced by fertilisers and petroleum.
- Machine and equipment, special steel, edible oil and chemicals was important import goods
- In 2009-11 there is a steep rise in imports of petroleum products. This rise is mainly due to used as a industrial raw material
- Impact of rise in imports of petroleum products are rise in industrialisation, better living standard and price rise in international market
- In 2009-11,import of capital goods maintained a steady increase due to rising demand in the export-oriented industrial and domestic sectors.
- Non-electrical machinery, transport equipment, manufacturers of metals and machine tools were the main items of capital goods.
- Import of food and allied products declined with a fall in imports of edible oils. Other major items of India's import include pearls and semi precious stones, gold and silver, metalliferous ores and metal scrap,non-ferrous metals, electronic goods, etc

Direction of Trade

- India has started adopting some suitable measure to increase foreign trade such as import liberalisation, reduction in import duties, de-licensing and change from process to product patents
- The share of Asia and ASEAN in total trade increased from 33.% in 2000-01 to 57.3 % in the first half of 2011-12, while that of Europe and America fell from 42.5% to 30.8% respectively
- Most of India's foreign trade is carried through sea and air routes
- Only a small portion is also carried through land route to neighbouring countries like Nepal, Bhutan,Bangladesh and Pakistan



Sea Ports as Gateways of International Trade

- In India after the coming of the European traders and colonization ports are mainly used for international trade.
- At present, India has 12 major ports and 185 minor or intermediate ports
- The major ports policy and functions are regulated by central government while minor ports policy and functions are regulated by state government
- In 2008-09, about 71% of the country's oceanic traffic are handled by 12 major ports
- Indian ports are handling large volumes of domestic as well as overseas trade. Most of the ports are equipped with modern infrastructure
- The capacity of Indian ports increased from 20 million tonnes of cargo handling in 1951 to more than 586 million tonnes in 2008-09

Some of the **Indian ports** along with their hinterlands are as follows :

- Kandla Port-** It is situated at the head of Gulf of Kutch, it has been developed as a major port to cater to the needs of western and north western parts of the country and also to reduce the pressure at Mumbai port. The port is specially designed to receive large quantities of petroleum and petroleum products and fertiliser.
- Mumbai Port-** It is a natural harbour and the biggest port of the country. The port is situated closer to the general routes from the countries of Middle East, Mediterranean countries, North Africa, North America and Europe where the major share of country's overseas trade is carried out. The port is 20 km long and 6-10 km wide with 54 berths and has the country's largest oil terminal. M.P., Maharashtra, Gujarat, U.P. and parts of Rajasthan constitute the main hinterlands of Mumbai ports.
Jawaharlal Nehru Port at Nhava Sheva was developed as a satellite port and it is the largest container port in India
- Marmagao Port-** It is situated at the entrance of the Zuari estuary, it is also a natural harbour in Goa. Karnataka, Goa, Southern Maharashtra constitute its hinterland.
- New Mangalore Port-** It is located in the state of Karnataka and caters to the needs of the export of iron-ore and iron-concentrates. It also handles fertilisers, petroleum products, edible oils, coffee, tea, wood pulp, yarn, granite stone, molasses, etc. Karnataka is the major hinterland for this port.
- Kochi Port-** It is situated at the head of Vembanad Kayal, popularly known as the "Queen of the Arabian Sea," is also a natural harbour. This port has an advantageous location



being close to the Suez-Colombo route. It caters to the needs of Kerala, southern-Karnataka and south western Tamil Nadu.

- f. **Kolkata Port-** It is located on the Hugli river, 128 km inland from the Bay of Bengal. This port was also developed by the British. Its hinterland covers U.P., Bihar, Jharkhand, West Bengal, Sikkim and the north-eastern states. Apart from this, it also extends ports facilities to our neighbouring land-locked countries such as Nepal and Bhutan.
- g. **Haldia Port-** It is located 105 km downstream from Kolkata. It has been constructed to reduce the congestion at Kolkata port. It handles bulk cargo like iron ore, coal, petroleum, petroleum products and fertilisers, jute, jute products, cotton and cotton yarn, etc.
- h. **Paradwip Port-** It is situated in the Mahanadi delta, about 100 km from Cuttack. It has the deepest harbour specially suited to handle very large vessels. It has been developed mainly to handle large-scale export of iron-ore. Orissa, Chhattisgarh and Jharkhand are the parts of its hinterland.
- i. **Visakhapatnam Port-** It is situated in Andhra Pradesh. It is a land-locked harbour. An outer harbour has been developed for handling iron-ore, petroleum and general cargo. Andhra Pradesh and Telangana are the main hinterland for this port.
- j. **Chennai Port-** It is one of the oldest ports on the eastern coast. It is an artificial harbour built in 1859. Tamil Nadu and Pondicherry are its hinterland. Ennore, a newly developed port in Tamil Nadu, has been constructed 25 km north of Chennai to relieve the pressure at Chennai port
- k. **Tuticorin Port-** It was also developed to relieve the pressure of Chennai port. It deals with a variety of cargo including coal, salt, food grains, edible oils, sugar, chemicals and petroleum products

Airports

- Air transport plays an important role in the international trade
- The main advantage of air transport are-it take least time for carriage and handling high value or perishable goods over long distances
- The disadvantage are- it is very costly and unsuitable for carrying heavy and bulky commodities. This ultimately reduces the participation of this sector in the international trade as compared to the oceanic routes
- There were 19 international airports functioning in the country (February 2013)
- They are Ahmedabad, Amritsar, Bengaluru, Chennai, Delhi, Goa, Guwahati,



Hyderabad,Kochchi, Kolkata, Mumbai, Thiruvananthapuram,Srinagar, Jaipur, Calicut,
Port Blair, Nagpur,Tiruchirapalli and Coimbatore

