



STRATEGIC TRADE RELATIONS: INDIA'S IMPORT AND EXPORT PATTERNS WITH MAJOR GLOBAL ECONOMIES

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ABSTRACT

This research analyzes India's import and export trends with its ten primary trading partners. The objective is to uncover the factors influencing India's trade relationships and their effects on economic development. The paper reviews trade statistics, market dynamics, and monetary policies. It emphasizes both the benefits and drawbacks of India's international trade system, concentrating on essential commodities, trade volumes, and bilateral agreements. The findings illustrate the strategic importance of these key trading partners in shaping India's trade landscape and offer insights into potential policy measures to enhance trade performance. This study enhances the understanding of India's position in the global trade arena and suggests ways to cultivate more robust and equitable trade partnerships.

Keywords: Economic Impact, Balance of Trade and Market Dynamics.

INTRODUCTION:

India's international trade dynamics have experienced notable changes in recent years, reflecting the country's shifting economic priorities and global interactions. In the fiscal year 2023–24, China regained its status as India's largest trading partner, with bilateral trade reaching around USD 118.4 billion, slightly exceeding the United States, which recorded trade valued at USD 118.3 billion during the same timeframe.

Exports from India to China saw an increase of 8.7%, amounting to USD 16.67 billion, with significant contributions from sectors such as iron ore, cotton textiles, spices, and handloom products. On the other hand, imports from China rose by 3.24% to USD 101.7 billion, primarily consisting of electronics, telecom equipment, and lithium, which is crucial for India's renewable energy projects.

Trade relations with the United States presented a mixed picture. Exports to the U.S. experienced a slight decline of 1.32%, totaling USD 77.5 billion, while imports fell by approximately 20% to USD 40.8 billion. Despite these variations, the overall trade volume remained considerable, highlighting the strong economic connections between the two countries.

Other key trading partners included the United Arab Emirates (USD 83.6 billion), Russia (USD 65.7 billion), Saudi Arabia (USD 43.4 billion), and Singapore (USD 35.6 billion). Notably, India's trade deficit with Russia widened significantly, driven by a sharp increase in energy imports.

This study aims to explore India's strategic trade relationships by analysing import and export trends with its major global partners. Through this examination, the research intends to offer insights into India's role within the global trade landscape and the implications for its economic strategy.

In the twenty-first century, India stands out as one of the fastest-growing economies globally. The dynamics of imports and exports are crucial to international trade^{1&2}. India's trading history is extensive and varied, tracing back to times when it was a centre for spices, textiles, and other precious goods. Throughout the years, trade patterns have transformed, influenced by colonialism, economic strategies following independence, and the forces of globalization. Grasping this historical background is vital for evaluating contemporary trade trends and policies³.

Theoretical Framework: Strategic Trade Relations – India's Import and Export Trends with Key Global Economies:

India's international trade landscape is influenced by a blend of economic theories and practical developments. To comprehend these trends, it is essential to delve into fundamental trade principles and the most recent empirical evidence.

❖ **Comparative Advantage and Trade Specialization:** David Ricardo's comparative advantage theory suggests that nations thrive by focusing on the production of goods in which they possess relative efficiency. India illustrates this concept through its thriving IT services, pharmaceuticals, and textiles, which serve as major sources of export revenue. In contrast, India imports capital-intensive products such as electronics and machinery, which aligns with the Heckscher-Ohlin model that highlights trade driven by factor endowments.

❖ **Trade Balance and Economic Consequences:** India's trade balance serves as a reflection of its economic relationships with international partners:

- **Trade Deficits:** During the fiscal year 2023-24, India experienced trade deficits with nine out of its ten largest trading partners. The deficit with China notably increased to \$85 billion, while the deficit with Russia reached \$57.2 billion.

- **Trade Surpluses:** Conversely, India achieved a trade surplus of \$36.74 billion with the United States, underscoring robust export activity in sectors such as services and pharmaceuticals.

- Although trade deficits may signal economic difficulties, they are not necessarily detrimental. The importation of vital raw materials and intermediate goods can enhance domestic production and boost exports. Nonetheless, ongoing deficits could result in currency devaluation, heightened external debt, and diminished foreign exchange reserves.

❖ **Global Value Chains and Dependency:** India's participation in global value chains (GVCs) has resulted in a significant rise in imports of intermediate goods, particularly from China. The electronics and pharmaceutical industries, for example, are heavily dependent on Chinese components, which exposes India to potential supply chain disruptions.

❖ **Strategic Trade Policies and Agreements:** India's trade strategies are designed to strengthen its position in the global market:

- ✓ **Free Trade Agreements (FTAs):** India has established FTAs with nations such as Singapore, the UAE, Korea, and Indonesia, which promote increased trade activity.

- ✓ **Energy Imports:** To mitigate trade imbalances, India is contemplating the removal of import duties on U.S. ethane and liquefied petroleum gas (LPG) to enhance bilateral trade relations and decrease its trade surplus.

❖ **Policy Recommendations for Sustainable Trade:** To improve its trade relationships, India might consider:

- ✓ **Diversifying Export Markets:** Minimizing dependence on a limited number of trading partners by seeking out new markets.

- ✓ **Enhancing Domestic Production:** Focusing investments in sectors where India holds potential comparative advantages to lessen import reliance.
- ✓ **Strengthening Trade Infrastructure:** Upgrading logistics, customs processes, and trade facilitation initiatives.

In summary, India's trade dynamics reflect a complex interaction of economic theories and practical realities. By aligning its policies with theoretical frameworks and empirical evidence, India can effectively address the challenges of global trade and seize opportunities for economic advancement.

India's economy is characterized by a rich blend of traditional village farming, contemporary agricultural practices, handicrafts, a diverse array of industries, and a multitude of services. Recent monetary reforms and liberalization efforts have catalysed substantial economic growth, thereby boosting India's trade capabilities. This research aims to pinpoint the primary sectors of India's economy and their roles in trade^{4&7}.

LITERATURE REVIEW:

- ❖ Rajkonower A. B. and colleagues explore trade functions across various levels but their analysis lacks coherence⁸. A possible initial approach for India could be to lead a traditional South-South alliance within the Doha Development Agenda, although this carries the risk of negotiations failing and resulting in numerous political discussions with various countries that may not yield clear commercial advantages. India's primary objective is to uphold its leadership position in the developing world while avoiding isolation.
- ❖ Batra A. asserts that India possesses considerable potential for international trade, particularly in the Asia-Pacific region, Western Europe, and North America, which are seen as offering the most significant trade opportunities for the country⁹. Expanding trade with countries like China, the UK, Italy, and France is viewed as particularly promising. Projections indicate that India could potentially increase its trade with nations such as Georgia, Turkmenistan, and Uzbekistan by tenfold or more. Many CIS countries also show potential for enhanced trade relations with India.
- ❖ Naik P. K. utilizes the gravity model to analyze the factors affecting India's recent trade volumes with its top 20 trading partners¹⁰. This empirical study examines several key variables to determine the drivers of India's trade volumes. To grasp the economic context of these trade relationships, the per capita incomes of the 20 primary trading partners are initially assessed. Higher per capita incomes are indicative of increased purchasing power and demand for goods and services, which could lead to a rise in trade with India. Additionally, the geographical distance between India and its trading partners is a significant consideration.
- ❖ Dhinakaran D. D. P. and colleagues found that India's trade activities, both imports and exports, came to a standstill during the COVID-19 lockdown¹¹. In the aftermath of the lockdown, both central and state governments in India encountered numerous challenges across social, economic, political, and institutional dimensions. The full impact of the disruption in trade remains largely unrecognized by the public; if revealed, these effects could still influence public opinion as they did during the crisis. Additionally, several studies have examined India's trade relationships with international partners¹²⁻¹⁸.

OBJECTIVES OF THE STUDY:

1. Investigate the trade dynamics with India's top ten trading partners.
2. Assess the impact of these trade relationships on India's economic growth.
3. Provide policy suggestions to improve India's trading effectiveness.

RESEARCH METHODOLOGY:

The research methodology integrates qualitative assessments of economic reports and policy documents with quantitative analyses of trade data from various reliable sources. By combining these approaches, the study seeks to deliver a thorough understanding of India's trade landscape and its relationships with key global partners.

DATA ANALYSIS:

India's trade dynamics are influenced by its relationships with major global partners. Analysing trade data is essential for grasping the equilibrium between imports and exports, the dependence on particular nations, and the overall trade effectiveness. This section outlines India's trading patterns with its ten leading partners, emphasizing notable trends, trade discrepancies, and the changing significance of major economies within India's international trade structure. Tables 1, 2, and 3 offer a comprehensive overview of India's total trade with these nations across two financial years.

Table: 1

Leading 10 Nations by Total Trade (2022-23) in ₹ Crore

Country	Export	Import	Total Trade
USA	6,30,151.51	4,08,620.95	10,38,772.46
CHINA	1,22,773.99	7,90,931.63	9,13,705.62
United Arab Emirates	2,53,852.38	4,27,405.64	6,81,258.02
SAUDI ARABIA	86,271.37	3,37,571.87	4,23,843.24
RUSSIA	25,462.70	3,74,003.31	3,99,466.00
INDONESIA	80,335.18	2,30,815.28	3,11,150.46
IRAQ	21,776.64	2,75,202.15	2,96,978.79
SINGAPORE	96,184.96	1,89,828.25	2,86,013.21
HONG KONG	79,497.42	1,46,586.43	2,26,083.85
South Korea	53,275.35	1,70,631.81	2,23,907.15
Total of the Top 10 countries	14,49,581.51	33,51,597.29	48,01,178.80
India's Total	36,21,549.86	57,49,801.02	93,71,289.39

Source: <https://tradestat.commerce.gov.in/>¹⁹

The data presented in Table 1 indicates a notable imbalance in India's trade with its ten largest trading partners, revealing a greater dependence on imports than exports. Approximately 58.31% of India's total imports originate from these countries, while exports to them constitute around 40.02% of the nation's total exports. Among these partners, the United States stands out as the largest, representing 21.62% of India's overall trade, which is higher than China's 19.03% share. This suggests that, despite China's significance as a trading partner, the United States maintains its leading position in terms of trade volume. This imbalance underscores India's increasing dependence on imports from these key nations relative to its export levels.

According to the updated figures in Table 2, China has overtaken the United States to become India's leading trading partner for the 2023-24 period. China plays a crucial role in shaping India's trade dynamics. A substantial portion of India's overall international trade is conducted with its top ten trading partners, with imports from these nations making up 59.19% of total imports and exports to them accounting for 42.12% of total exports. This further emphasizes India's ongoing reliance on imports from these essential partners.

During the fiscal year 2022-2023, India's top 10 trading partners accounted for 40.03% of its total imports and 58.29% of its total exports. This results in an overall change share of 51.23%, indicating a mixed outcome. It suggests that a significant portion of India's economic transformation—over half—has become concentrated in these key countries, highlighting a strong dependence on them for both export growth and the import of essential goods and services. The substantial contribution of these nations to India's economy is reflected in their high export figures, while their considerable import share underscores their vital role in satisfying domestic demand.

The dynamics of imports and exports have a direct impact on GDP, interest rates, inflation, and exchange rates. A country's trade balance is crucial for economic stability; excessive imports can lead to trade deficits, affecting interest rates and inflation, while robust exports can enhance GDP and generate employment. An expanding trade deficit may weaken the domestic currency, as increased imports necessitate more foreign currency, exerting downward pressure on the local currency's value. On the other hand, a strong domestic currency can make exports pricier, potentially diminishing demand and hindering export growth.

Table: 2**Leading 10 Nations by Total Trade (2023-24) in ₹ Crore**

Country	Export	Import	Total Trade
CHINA	1,37,966.45	8,42,467.28	9,80,433.74
USA	6,41,766.35	3,37,490.98	9,79,257.33
United Arab Emirates	2,95,095.24	3,97,763.71	6,92,858.95
RUSSIA	35,288.03	5,08,643.51	5,43,931.54
SAUDI ARABIA	95,748.99	2,63,354.42	3,59,103.41
SINGAPORE	1,19,392.42	1,75,561.32	2,94,953.74
IRAQ	27,766.76	2,48,556.11	2,76,322.87
INDONESIA	49,515.17	1,93,863.89	2,43,379.06
HONG KONG	68,299.15	1,69,373.54	2,37,672.69
SOUTH KOREA	53,114.99	1,75,045.97	2,28,160.96
Total of Top 10 countries	15,23,953.57	33,12,120.73	48,36,074.30
India's Total	36,19,291.86	55,92,876.32	92,11,651.51

Source: <https://tradestat.commerce.gov.in/>¹⁹**Table: 3****Share in Percentage of Leading 10 Nations with Total Trade**

Year	Import (%)	Export (%)	Total Trade Share (%)
2022-23	40.03	58.29	51.23
2023-24	42.11	59.22	52.5

Source: <https://tradestat.commerce.gov.in/>¹⁹

Conversely, a depreciated domestic currency can enhance the competitiveness of exports on the global stage while simultaneously increasing the cost of imports, potentially fuelling inflation. A rise in imports, coupled with an expanding trade deficit, can negatively impact the value of a nation's currency. When imports surge significantly and the trade balance worsens, the currency typically experiences depreciation. This increase in imports results in a higher volume of domestic currency being exchanged for foreign currencies, which can elevate supply and diminish the value of the domestic currency.

This situation worsens the trade deficit, as imports begin to surpass exports, leading to a greater outflow of domestic capital and further strain on the currency. Deregulation may help lower the prices of imported goods and assist in managing inflation. A robust local currency can make a country's exports more expensive for foreign buyers, potentially reducing demand and stifling export growth. On the other hand, a stronger currency can make imports less expensive, which might lead to an increase in import volumes. In contrast, a weaker domestic currency can enhance export appeal by making them more affordable and competitive in international markets. However, this depreciation also raises import costs, which can contribute to inflation by driving up the prices of foreign products. In India, key imports include mineral fuels, oils, and distillation products, which are essential for meeting its energy requirements.

Pearls, gemstones, and precious metals are significant contributors to India's import landscape. The import sector is heavily influenced by electricity and electronics, alongside equipment such as nuclear reactors and water

boilers. Organic pharmaceuticals, closely followed by plastics, represent other vital imports. Furthermore, animal and vegetable fats and oils, along with splitting agents, are essential components. Noteworthy imports also include iron and steel, coal, inorganic chemicals, precious metal alloys, and isotopes. A considerable portion of imports consists of optical, photographic, mechanical, and medical equipment, with pharmaceutical products also playing a crucial role. Lastly, copper imports are a major element of India's overall import framework. The export figures for 2022 revealed a wide array of products across various industries.

Leading the export category were mineral fuels, oils, and distillation products, underscoring the significance of energy-related trade. This was succeeded by pearls, precious stones, metals, and gold, which are vital to both luxury and manufacturing sectors. Exports of machinery, nuclear reactors, boilers, and other specialized equipment highlight India's advancing technological capabilities. The electricity and electronics sector further emphasizes India's technical prowess in international trade. Organic medicines and pharmaceuticals significantly contribute to global healthcare and industrial production. The export of automobiles, rail, and tram cars indicates a rising global demand for Indian transportation products. Additionally, iron and steel, grains, aluminum, plastics, and building materials showcase India's robust presence in both raw and manufactured goods exports.

India is a significant exporter of a diverse array of products, including chemicals, cotton, fish, crustaceans, aquatic invertebrates, sugar, and sugarcane, underscoring its important position in the global agricultural and marine product trade.

DISCUSSION:

India's engagement in global trade illustrates its active economic integration, marked by a wide variety of trading partners and commodities. As an exporter, India has positioned itself as a vital supplier of goods such as petroleum products, textiles, pharmaceuticals, and agricultural items. This export success is fuelled by competitive pricing, adherence to strict quality standards, and strategic trade agreements that have facilitated access to markets in North America, Europe, and Southeast Asia. The broadening of its export range has enabled India to reduce risks associated with international market volatility and has strengthened its role in the global supply chain.

On the import side, India's needs are largely driven by the demand for energy, raw materials, and advanced technology products. Key imports include crude oil, machinery, electronics, and chemicals, which reflect India's commercial and technological advancements. These goods are primarily sourced from major trade partners such as China, the United States, the UAE, and Saudi Arabia. Imports are essential for supporting India's manufacturing and service sectors, enhancing domestic consumption, and fostering economic growth. Nevertheless, the trade deficit poses a challenge, highlighting the need for ongoing efforts to increase exports and maintain balanced trade relations.

CONCLUSIONS

The evolution of India's international trade highlights the complex relationship between its growing economic power and strategic partnerships. The nation's import and export activities are heavily shaped by its trade connections with major players such as the United States, China, the European Union, and ASEAN countries. India's export landscape is becoming increasingly varied, featuring not only traditional products like textiles and agricultural goods but also advanced items such as software and pharmaceuticals. Nevertheless, the country remains heavily reliant on imports of crude oil, electronics, machinery, and other vital commodities. The trade dynamics indicate that India's robust export sectors play a crucial role in mitigating its dependence on imported technology and energy. As India continues to broaden its global trading network, it is essential to focus on enhancing infrastructure, reforming trade policies, and fostering innovation to maintain growth and achieve a more equitable trade balance.

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