

India's trade with NAFTA: Trends and Pattern

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ABSTRACT: Foreign trade plays a vital role in the Indian economy. As the country need to import diverse products so foreign trade is extremely important to country. India exports vast number of products and also imports an equal amount of other products. Although India has steadily opened up its economy, its tariffs continue to be high when compared with other countries, and its investment norms are still restrictive. This paper is an attempt to analyse the major changes in volume, composition and direction of Indian Foreign, the growth of Indo- NAFTA trade and to analyse the direction of Indo- NAFTA trade.

Key Words: Foreign Trade, Composition, Direction and Volume of Trade, NAFTA, regional Trading Bloc.

I. INTRODUCTION

The modern economic trends are revealing that International Trade is helping the growth of Developing Nations. The openness to international trade has been lucrative to the developing countries for rapid economic growth. The adoption of open market policies, and decline in the concepts of trade protection in certain developing countries has helped them immensely in their rapid economic growth. India and China, at present are the best possible examples of developing countries in international trade. Many countries enjoyed rapid growth by turning down trade barriers and accepting the new technological developments. Countries like Japan, France, Greece, Netherlands, Denmark, Norway, Italy, and Portugal have displayed such trends, in the post World War II period. International trade supports growth in a variety of ways. It makes the producers more efficient as they must contend with some of the best

in the world. The open markets also provide access to some of the best technologies, which allow countries to focus on certain industries, rather than producing all on their own. One of the main reasons behind the fall of Soviet Union was the failure to adopt advanced technology, in order to compete with the other world class producers. The study of India's trade with the NAFTA acquires the added importance due to the peculiar specificities of India's trade with NAFTA not standing the overall foreign trade of India. India's trade with NAFTA depicts many imbalances and asymmetries. The NAFTA share in the India's trade is quite large. USA is one of the major trading partners of India and the biggest economy of the world and it can prove to be the biggest market for Indian products. The NAFTA since her inception has remained economic partner of India, but the economic relations between the two have not been explored thoroughly. Imports to India from NAFTA accounted for US\$23244.15 million in 2010-11 and exports to NAFTA were US\$27823million for the same period. Exports have increased to US\$ 59564.27 million in 2019-20 and imports increased to US\$ 43997 million for the same period. Therefore it is very probable that in the future the economic relation between India and NAFTA would be further intensified. Thus the present study intends to provide better understanding of the course of Indo-NAFTA economic relations and help in the formulation of appropriate policies.

In this chapter we have analysed trends in India's foreign trade with NAFTA (North American Free Trade Agreement), first as a whole and then with the individual member countries of the NAFTA, over the period from 1950-51 to 2010-2011. The analysis made is of

comparative nature in the sense that the trade with the NAFTA has been examined and compared with the overall foreign trade of India. Time series data of India's trade with NAFTA countries and the individual member countries and India's overall trade has been presented simultaneously in tabular form (Table I and II). The values of exports, imports, growth rates, balance of trade, and importance of the NAFTA market for India and their mutual pattern and structure of trade are examined in detail, in the following section.

II. OBJECTIVE OF THE PRESENT STUDY

- To analyse the growth of Indo- NAFTA trade.
- To analyse the direction of Indo- NAFTA trade.

III. REVIEW OF LITERATURE

Panagariya (2004) offered a comprehensive analysis of India's trade policy, particularly since 1991, and its impact on the economy. He provided evidence showing that trade liberalization had a major impact on the quality and availability of goods and services growth. The evidence on the productivity growth in the industrial sector varied across studies, however. He also explained why India lags behind China and what India must do to catch up. The strategy for the future liberalization, including a possible U.S. India free trade area, was discussed.

Bhattacharya and Banerjee (2006) applied the gravity model to the panel consisting of India's yearly bilateral trade data with all its trading partners in the second half of the twentieth century. The main conclusions that emerged from their analyses were: (1) The core gravity model could explain around 43 per cent of the fluctuations in India's direction of trade in the second half of the twentieth century (2) India's trade responded less than proportionally to size and more than proportionally to distance (3) Colonial heritage was still an important factor in determining India's direction of trade at least in the second half of the twentieth century (4) India traded more with developed rather than underdeveloped countries, however (5) size had more

determining influence on India's trade than the level of development of the trading partner.

William, (2006) presented an overview of India's external trade, with a focus on trade with the United States and China. According to him since joining the WTO in 2001, China had emerged as the world's third largest trading nation and an emerging competitor for the United States in many emerging markets, including India. Many analysts viewed President Bush's March 2005 trip to India as part of a long-term strategy to contain China's expansion in Asia. However economic cooperation between China and India had been growing and in 2005 China emerged as India's largest single source of imports supplanting the United States. The study described India's import market response to China's ascension as its leading source of imports and how that had affected U.S. exports in the Indian market. It had also identified differences and similarities in India's exports to the United States and China. The study had explored why the United States was losing market share in India's import market and the role of other competitors, especially those in East and Southeast Asia, for a share of India's import market. The vast majority of India's imports from the United States and China were concentrated in Harmonized Tariff Schedule Chapter 84 (computers, components, and parts) and Chapter 85 (telecommunications equipment, components, and parts).

Xioling Kang & Ying Zhang (2015), in their research paper analyzed the Sino-India trade relation to know the Complementarity & potentiality between both the countries by employing Trade Intensity Indices, Revealed Comparative Advantages Indices, Trade Complimentarity Indices, Trade Specialization Indices and Gravity Model, consequently, concluded that Complementarity and competitiveness co-exist in the field of trade and greater potentiality also exist between both the countries

KabiruHannafi Ibrahim and AbdulazizShehu (2016), in their research paper namely "Nigeria – India Bilateral

Trade Relation: An Analysis of Trade Complementarity Index (TCI)” examines the trade relation between Nigeria & India with the help of Complementarity Index and concluded that Nigeria’s export supply to India’s import demand is being partially matched during the period 2000 to 2014.

Ravi Kumar (2018), study bilateral trade relation between India and USA using the Revealed Comparative Advantages Index and Trade Complementarity Index for the period 2011 to 2016. The study revealed that India enjoys comparative advantages in 9 items out of 20 major categorised items based on 2 digits HS Code in its trade composition whereas in case of USA only 8 items enjoys comparative advantages. Further, it has been seen that among 20 major items, one country having comparative advantages for some items but another country has comparative disadvantages for the same items, it signifies the good bilateral trade relation and trade dependence of both the countries. The Complementarity Index of both the countries indicates that export supply of India and USA partially matched with the import demand of USA and India respectively; Indices of India is being continuously decreased but for the USA it is being continuously increased during the research period 2011 to 2016. It implies that India may have better trade potential with USA by diversifying its trade structures to USA.

IV. METHODOLOGY

The present study is based upon the time series secondary data collected from various published and unpublished sources of Government Agencies. The data for value and volume for principal export and product aggregates for India, NAFTA and the world have been gathered from various issues of Economic Surveys, Government of India, Ministry of finance, New Delhi, Handbook of Statistics on Indian Economy, Reserve Bank of India, Mumbai, various issues of Monthly Statistics of Foreign trade of India, Director General of Commercial Intelligence and Statistics (DGCIS), Calcutta, various issues of International

trade Statistics Yearbook UNCTAD. Apart from it the information published in newspaper was also used and the internet services have been also explored. The unit values are calculated by dividing export earnings by the corresponding quantity for each year. The export earnings are taken in the rupees.

1. Estimation of Growth Rates

The compound growth rates indexes are calculated by using the following type of function:

$$Y_i = a (b_i)^t$$
$$\text{Log } Y = \log a + t \log (b_i)$$

Where,

Y_i = export value of i^{th} item,

t = time variable.

Annual compound growth rate (r) was computed as:

$$r = [\text{antilog } (b_i) - 1] * 100.$$

V. EXPANSION IN INDIA’S FOREIGN TRADE: AN OVERVIEW

The domestic production reflects on exports and imports of the country. The production in turn depends on endowment of factor availability. This leads to comparative advantage of the economy. For long, India has been endowed with labour and land, but capital was always a scarce factor. With this backdrop, India remained better off in the production of labour-intensive commodities. India’s foreign trade started to gain significance during the latter half of the 19th century. The period 1900-1914 saw expansion in India’s foreign trade. The rise in the output of such crops as oilseeds, cotton, jute and tea was largely due to a flourishing export trade. The First World War was a serious setback to India’s foreign trade. In the immediate post-war period, India’s exports increased due to rise in world demand for raw materials and removal of war time restrictions (Mathur, 2006). The imports, too, increased to satisfy the pent-up demand. India’s foreign trade was severely hit by the great depression of 1930s. It was mainly due to: sharp fall in commodity prices, decline in consumer’s purchasing power and

discriminatory trade policies adopted by the colonial government, to name but a few. During the Second World War, India achieved huge export surplus, enabling her to accumulate substantial amount of sterling balances (Kapila, 2009).

There was a huge pressure of pent-up demand in India during the Second World War. The import requirements were larger and export surpluses were smaller at the end of the war. The partition of the country enlarged the deficit in food and raw materials. There was a sharp contraction in export surpluses of commodities like raw cotton and raw jute. Oilseeds and pig iron were required in large quantities to meet increased domestic industrial needs. These shortages were some extent counter-balanced by increased exports of primary commodities such as spices, mica and vegetable oil. However, volume of exports in 1946-47 was still only about two-thirds of pre-war level. In 1938-39, jute manufactures, cotton manufactures and tea accounted for about 35 per cent increased dependence on a few commodities and brought an element of instability in the export prospects (Mathur, 2006).

Prior to independence, India's foreign trade was typical of a colonial and agricultural economy. Exports consisted mainly of raw materials and plantation crops, while imports composed of light consumer goods and other manufactures. The structure of India's foreign trade reflected the systematic exploitation of the country by the foreign rulers. The raw materials were exported from India and finished products imported from the U.K. The productions of final products were discouraged. For example, cotton textiles, which at one time constituted bulk of India's exports, accounted for the largest share of her imports during the British rule. This resulted in the decline and decay of Indian industries (Singh, 1964).

Over the last six decades, India's foreign trade has undergone a complete transformation in terms of composition of commodities. The exports cover a wide range of traditional and non-traditional products while imports mainly

consist of capital goods, petroleum products, raw materials, intermediates and chemicals to meet the ever increasing industrial demands (Singh, 2000).

The pattern of export trade during 1950-1960 was marked by two main trends: 1) among commodities which were directly or largely based on agricultural production such as tea, cotton textiles, jute manufactures, hides and skins, spices and tobacco exports did not increase on the whole; and 2) there was a significant increase in the exports of raw manufactures like iron ore but these were not significant to offset the decline in traditional exports. In 1950-51, basic primary products dominated the Indian export sector. The primary products were: cashew kernels, black pepper, tea, coal, mica, manganese ore, raw and tanned hides and skins, vegetable oils, raw cotton and raw wool. These products constituted 34 percent of the total exports (Pillania, 2008). The proportion of intermediate products was slightly higher with 41 per cent. However, these products were agriculture-based low value added. This group consisted of commodities such as cotton piece goods, woollen carpets, gums, resins and lac, gunny bag and gunny clothes. By and large, this trend continued with little variations. There has been an overall rise in the exports of cashew kernels, tea, gums and resins, vegetable oil, raw cotton and gunny clothes. The rise was not consistent and exports did not show much dynamism. The world demand for many agriculture-based products failed to increase or decline due to cyclical downturn in the global economy (Bhat, 2011).

The decade of 1950s also witnessed balance of payments crunch. In the mid-1950s the sterling balance that India acquired during the Second World War got exhausted. The export proceeds were not enough to meet the growing import demand. The decline in agriculture production and growing tempo of development activity added pressure. The external factors such as the closure of Suez Canal added to the strain on the domestic economy. The crucial problem at that juncture was that of foreign exchange shortage. The Second Five

Year Plan with its emphasis on the development of industry, mining and transport had a large foreign exchange component. This strain on the balance of payments necessitated the stiffening of import policy at a later stage. India was also at that time negotiating with the International Bank of Reconstruction and Development (IBRD) in respect of loans to cover the foreign exchange needs of several of its development projects. India was also exploring possibilities of deferred payments in respect of imports of capital goods from various countries (Bhat, 2011).

1. Direction of India's Foreign Trade:

Direction of trade reflects the regional direction of country's foreign trade from where trade is originated. It would be quite important to analyse the direction of India's foreign trade and the transformation that has taken place. In the pre independence period the direction of India's foreign trade was determined by the colonial exploitation between India and Britain. It was Britain that decided from which countries it could import its requirements and to which country it should export its product. But after the independence, new trade routes were found and India developed trade relation with other countries. For the purpose of studying the direction of trade, India's trading partners have been divided into six regions i.e. Europe, America, Asia and ASEAN, Africa and CIS and Baltic's.

(a) Direction of India's Exports during period 2000-01 to 2019-20:

Table 1.1 shows the direction of India's exports during period 2000-01 to 2019-20. The highest share in India's export is of Asia and ASEAN Countries with 38 per cent, followed by Europe with 26 per cent and with America 25 per cent, whereas the share CIS & BALTICS region was the lowest with 2 per cent. With 5 per cent and 4 per cent share the Africa and unspecified region were at 4th and 5th position. Direction of Indian exports remained same with slight variation. Prevalence of high international crude oil prices and the consequent gains in terms of trade

increased the share of India's trade with OPEC region. Exports to Europe decreased mainly because a lower export of Russia in 2002-03.

The share of America decreased from Rs50,163.8 crores in 2000-01 to Rs11,887.7 crores in 2002-03. This was due to the semi-recession faced by the US in 2001-02. The terrorist attack on the World Trade Centre caused a net loss of 0.25 per cent of US GDP and also had an impact on India's exports, which grew only at 5 per cent that year. The slowdown of the US economy permeated to other economies including the ASEAN countries, which were recovering from the 1997 crisis. The share of Europe, Asia and ASEAN has declined while that share of North America has increased from 22 per cent to 25 per cent. The share declined further to 24 per cent for Europe and to 20 per cent for Asia and ASEAN in 2004-05. The share of North America increased tremendously to 50 per cent for the same year. In the year 2005-06 India's exports mainly destined at Asia and ASEAN region.

In the year 2010-11 India's exports mainly destined at Asia and ASEAN region Europe and America stood at the second and third position respectively (Table 1.1). This is due to India's "Look East Policy" that was unveiled in 1991 and sustained effort to develop strong relations with China and the ASEAN. East Asia including Japan, China, South Korea and ASEAN - is today India's largest trading partner, ahead of EU and the US. Directional change toward developing countries may be attributed to India's involvement in regional trading agreements particularly with developing countries, liberalization of economies in Asia and Africa and impact of WTO commitments on trade policies of member countries. However, there is a compositional change (within the broad product groups) and geographical change (within the major markets) during post-reform period.

In the year 2019-20 India's export mainly destined to Asia and ASEAN countries with the share of 47 per cent, the second position was taken by America with 22 per cent and the third position was taken by Europe (Figure

1.2). The COVID-19 pandemic impacted external sector differently for different countries. While countries witnessed contraction in exports and imports, AEs suffered larger contraction and EMDEs, less, especially the East-Asian economies. In India, calibrated easing of lockdown restrictions narrowed

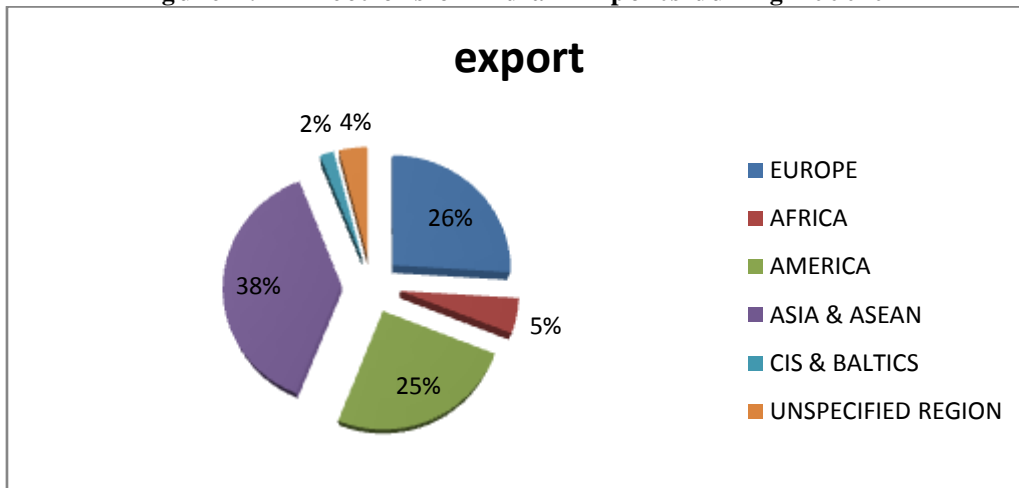
contraction in both exports and imports with imports posting faster recovery leading to progressive expansion of merchandise trade deficit over the quarters of the current year (economic survey 2020-21).

Table 1.1: Direction of India's Exports during period (2000-01 to 2019-20)

Year/Region	EUROPE	AFRICA	AMERIC A	ASIA & ASEAN	CIS & BALTIC S	UNSP E CIFIED REGIO N
2000-01	52746.4	8326.16	50163.8	78839.6	4831.99	8634.1
2001-02	51786.8	10306.4	47970.7	84006.7	4637.41	1039.97
2002-03	61652.8	11894.7	11887.7	113246	4460.55	1502.37
2003-04	71991.9	14134.8	61568.5	139651	4763.06	1284.84
2004-05	88395.8	18953.2	75454.6	185780	4916.47	1839.2
2005-06	110286	24092.3	94604.1	220813	5523.67	1098.37
2006-07	130639	38061.8	109706	285092	6688.37	1592.69
2007-08	1399925	46463.4	111261	338982	6995.78	2236.12
2008-09	191493	51671.2	130573	1228733	8728.91	20802.4
2009-10	182228	48831.6	127006	456178	7978.01	23311.4
2010-11	227218	89745	168015	579221	12215	66507
2011-12	276549	118668	239498	731313	14708	78543
2012-13	304743	158605	290225	830914	20046	29785
2013-14	353711	189782	328173	942046	21149	69774
2014-15	344197	200559	360849	939921	20763	30061
2015-16	329678	163540	345069	836696	15670	25724
2016-17	356940	155085	368165	923513	18729	26996
2017-18	388924	160534	404676	964614	19386	18381
2018-19	449836	199539	481472	1127309	24282	25289
2019-20	428940	205412	493486	1038613	29717	23686

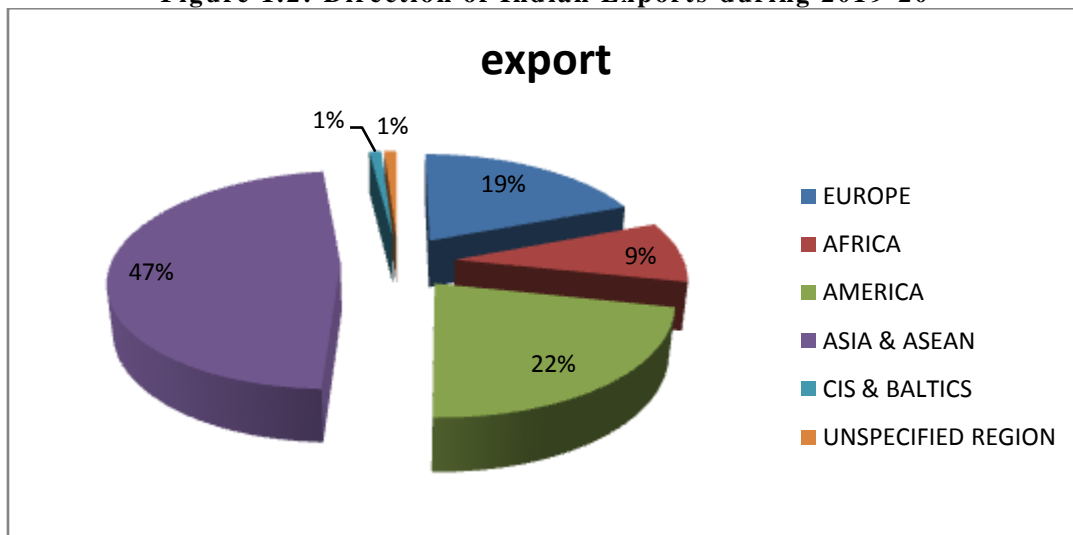
Source: (1) Government of India, Economic Survey, Various Issues.
(2) www.commerce.nic.in

Figure 1.1 Directions of Indian Exports during 2000-01



Source: Same as Table 1

Figure 1.2: Direction of Indian Exports during 2019-20



Source: same as Table 5.1

(b) Directions of Indian Imports from 2000-01 to 2019-20:

The direction of Indian Imports during the period 2000-01 to 2019-20 has been presented in the table 1.2.

Table 1.2: Direction of India's Imports during period(2000-01 to 2019-20)

Region/ Year	Europe	Africa	America	Asia & ASEAN	CIS & BALTICS	Unspecified Region
2000-01	63643.6	7366.9	18848.1	66253.5	3115.65	71645
2001-02	65068.7	10075.3	22344.7	77059.9	3513.2	67138
2002-03	74240.8	13982.9	7486.86	89502.3	4086.01	86086.1

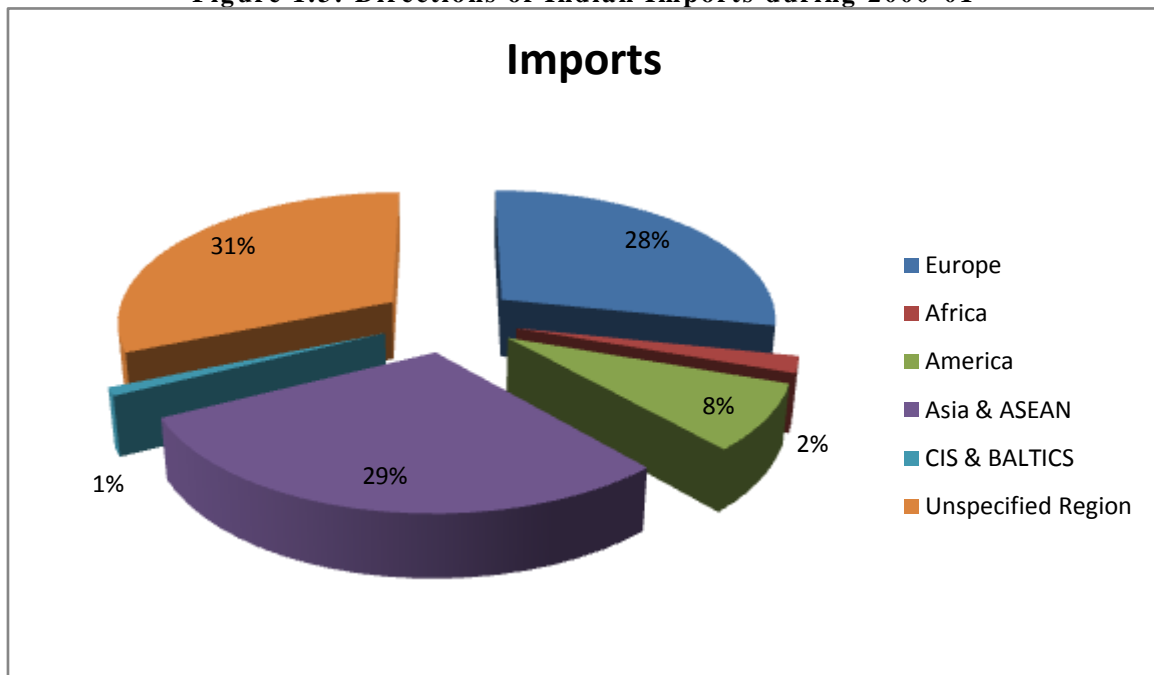
2003-04	86327.4	12567.9	31957.9	126991	5796.62	95472.9
2004-05	115121	15071.9	44176.1	181353	8807.52	136535
2005-06	146457	17892.6	57721	228331	13072.2	196934
2006-07	181525	51519	88843.3	497327	17480.7	3811.85
2007-08	207747	60156.4	118968	602974	15211.8	7254.85
2008-09	259064	55764.6	140961	852062	30267.6	6690.34
2009-10	263471	97871.5	139480	829224	28930.7	4759.07
2010-11	323857	118612	165178	1029881	25811.4	20128.5
2011-12	450557	210806	215940	1422578	40049	5534
2012-13	475626	223578	324089	1592142	42891	10837
2013-14	424266	221340	347400	1650452	46694	25282
2014-15	451909	235792	341700	1612004	46737	48944
2015-16	422769	206498	300963	1455063	46269	58744
2016-17	412256	193456	313156	1546063	62467	50007
2017-18	450625	243655	360943	1802415	83043	60352.83
2018-19	554301	287344	455839	2229899	65903	1388
2019-20	505609	267052	432275	2069873	84530	1615

Source: 1. Government of India, Economic Survey, Various Issues.
2. www.commerce.nic.in

India's major trading partners have been divided into 6 groups. Indian import in the year 1996-97 was Rs. 1,24,212.7crores out of which the share of Europe was 34 per cent. The percentage share of Asian and ASEAN was 32 per cent while that of America was 13 per cent. In the year 2001-02 the share of Europe declined to 27 per cent from 34 per cent in the year 96-97. It decreased by 7 percentage point. The share of America also decreased from 13 per cent to 9 per cent in the year 2001-02. In the year 2010-11 the total imports stood at Rs. 16,83,467Crores out of

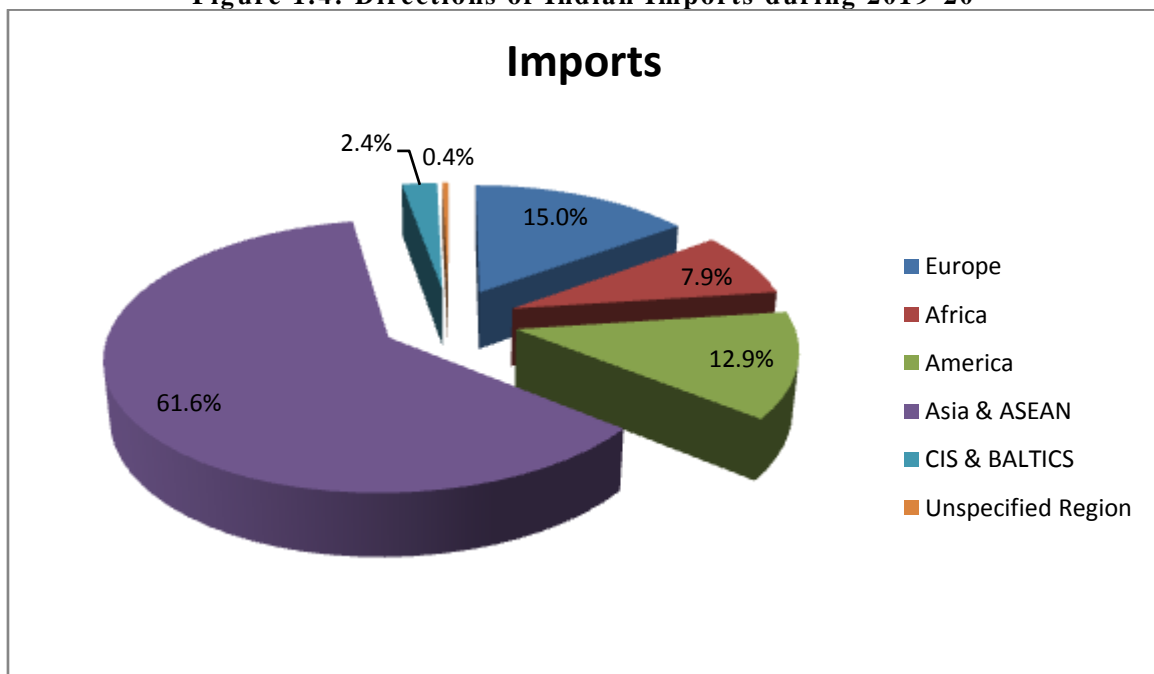
which the share of Asia and ASEAN increased tremendously and almost doubled from 32 per cent in 1996-97 to 61 per cent in 2010-11 and that the share of America increased merely by 1 per cent, where as the share of Europe decreased further to 19 per cent (Table 1.2). Share of Asia and ASEAN countries increased further to 61 per cent and it was India's biggest trading region in imports, second and third position was taken by Europe and America respectively. The last position was taken by the unspecified region with only 0.4 per cent (figure 1.4).

Figure 1.3: Directions of Indian Imports during 2000-01



Source: Same as Table 2

Figure 1.4: Directions of Indian Imports during 2019-20



Source: Same as Table 2

2. Direction of Trade of NAFTA Countries

1. USA

U.S. foreign trade and global economic policies have changed direction dramatically during the more

than two centuries that the United States has been a country. In the early days of the nation's history, government and business mostly concentrated on developing the domestic economy irrespective of what went on abroad. But

since the Great Depression of the 1930s and World War II, the country generally has sought to reduce trade barriers and coordinate the world economic system (<http://foreign-trade.wikispaces.com/>). Americans are convinced that trade promotes economic growth, social stability, and democracy in individual countries and that it advances world prosperity, the rule of law, and peace in international relations.

The United States supported trade liberalization and was instrumental in the creation of the General Agreement on Tariffs and Trade (GATT), an international code of tariff and trade rules. One other principle the United States traditionally has followed in the trade arena is multilateralism. Despite its

commitment to multilateralism, the United States in recent years also has pursued regional and bilateral trade agreements. The emergence of electronic commerce also is opening a whole new set of trade issues. In 1998, ministers of the World Trade Organization issued a declaration that countries should not interfere with electronic commerce by imposing duties on electronic transmissions, but many issues remain unresolved. The United States wishes to make the Internet a tariff-free zone, ensure competitive telecommunications markets around the world, and establish global protections for intellectual property in digital products (http://krakow.usconsulate.gov/foreign_trade.html).

Table 1.3: USA’s Top Five Export Destination and Import Sources (2019-20)

Exports			Imports		
Rank	Country	% share in 2019-20	Rank	Country	% share in 2019-20
1	Canada	17.8	1	China	18.6
2	Mexico	14.9	2	Mexico	13.9
3	China	8.7	3	Canada	11.6
4	Japan	4.5	4	Japan	5.1
5	UK	4.1	5	Germany	4.9
13	India	1.9	11	India	2.2

Source: <http://www.census.gov>

US international trade recovered in 2011 seeing US exports reaching approximately \$1.5 trillion, up almost 17% from 2010, while imports increased by 16% reaching \$2.2trillion . Although trade deficit widened in 2011 was well below historical highs (Hamilton, 2011).

Table 1.3 examines the direction of USA’s trade. Canada was the main export partners of USA in 2019-20 with its share of 17.8 per cent. With 14.9 per cent share in USA’s export Mexico stood at the second position in the same year. The top two positions were acquired by its NAFTA members indicating the more trade among NAFTA members. China (8.7 per cent), Japan (4.5 per cent) and UK (4.1 per cent) stood at third, fourth and fifth position respectively. Main

exports of USA were: Machinery including computers (12.8% of total exports), Electrical machinery, equipment (11.4%), Mineral fuels including oil (10.8%), Vehicles (7.3%), Optical, technical, medical apparatus (5.8%), Aircraft, spacecraft (5.7%) The United States of America imported US\$2.408 trillion worth of goods from around the globe in 2020. The main imports of USA were, Electrical machinery, equipment (14.3%), Vehicles: \$254.4 billion (10.6%), Pharmaceuticals: \$139.5 billion (5.8%) and Mineral fuels including oil: \$130.1 billion (5.4%) the biggest source was China and her share was 18.6 per cent. It reflects increasing importance of China in the world trade. Canada and Mexico exported 11.6 per

cent and 13.9 per cent of USA’s import. Japan and Germany was among the top five import sources of USA.

In 2019-20 the rank of India as USA’s export destination and Import source was 13th and 11th respectively.

2. Canada

Export growth was led by energy products and industrial goods, with strong price recovery behind the improvements, but also some increases in volumes exported. Machinery exports have stopped declining in 2011 and produced a volume-driven improvement, while export volumes for the troubled automotive and forestry sectors improved for the second consecutive year.

In 2019-20 Canada was the number 10 economy in the world in terms of GDP (current US\$), the number 11 in total exports, the number 12 in total imports, the number 20 economy in terms of GDP per capita (current US\$) and the number

30 most complex economy according to the Economic Complexity Index (ECI). The top exports of Canada were Machinery including computers, Vehicles, Gems, precious metals, Wood and Machinery including computers. The countries with the maximum share in the Canada’s exports were United States (73.5%), China(4.8%), United Kingdom (3.8%), Japan (2.4%), and Mexico(1.4%) (Table 1.4).

The top imports of Canada were Machinery including computers, Vehicles Electrical machinery, equipment, Mineral fuels including oil, and Gems, precious metals (<http://www.worldstopexports.com/mexico-s-top-exports>). Importing mostly from United States(50.7%), China (12.5%), Mexico (6.15%), Germany (3.21%),and Japan (2.74%) (Table 1.4).

Table 1.4: Canada’s Top Five Export Destination and Import Sources in 2019-20

Exports			Imports		
Rank	Country	% share	Rank	Country	% share
1	USA	73.5	1	USA	50.7
2	China	4.8	2	China	12.5
3	UK	3.8	3	Mexico	6.15
4	Japan	2.4	4	Germany	3.21
5	Mexico	1.2	5	Japan	2.74
9	India	0.7		India	0.878

Source: www.international.gc.ca

3. Mexico

Mexico’s USD 1.3 trillion economy is the second-largest economy in Latin America and the 15th-largest economy in the world. Mexico has a large, diversified economy that is linked to its deep trade and investment relations with the United States. Major exports are: Vehicles, Electrical machinery, equipment, Machinery including computers, Mineral fuels including oil, Optical, technical, medical apparatus,

Plastics, plastic articles (<http://www.worldstopexports.com/mexico-s-top-exports>). Top five export partners of Mexico are USA (76 per cent), Canada (3 per cent), and Germany (1.5 per cent), China (1.5 per cent) and Taiwan (1.4 per cent) constituting around 83.4 per cent of total Mexico’s export (Table 1.5).

Major imports of Mexico are: Electrical machinery, equipment, Machinery including computers, Mineral fuels including oil, Optical, technical,

medical apparatus. Major import sources for Mexico in 2019-20 were United States which was reported as 45 per cent of Mexico Import share China (18.2 per cent), Japan (3.94 per cent) Germany

(3.89 per cent) and South Korea (3.88 per cent) (Table 1.5).

In 2019-20 the rank of India as USA's export destination and Import source was 12th.

Table 1.5: Mexico's Top Five Export Destination and Import Sources

Export			Imports		
Rank	Country	% share	Rank	Country	% share
1	USA	76	1	USA	45
2	Canada	3	2	China	18.2
3	Germany	1.5	3	Japan	3.94
4	China	1.5	4	Germany	3.89
5	Taiwan	1.4	5	South Korea	3.88
12	India	0.3	12	India	1.14

Source: www.economia.gob.mx

3. India's Direction of Trade towards NAFTA Countries

The value of India's exports to the NAFTA increased almost 40 times over the period of 40 years from Rs. 129.23 crores in 1950-51 to Rs. 5,107.78 crores in 1990-91, and further to 422174 Crores in 2019-20.

Whereas overall exports increased to be 58 times more i.e. from Rs. 606 crores to Rs. 32,553 Crores during 1950-51 to 1990-91. After the period of liberalisation i.e. 1991 onwards the overall export increased steadily and successive yearly value turned out to be higher than that of the preceding years. Indian exports have responded sharply to the export policy reforms and WTO establishment. India's exports have increased sharply from Rs. 44042 crore in 1990-91 to Rs. 11,42,648.97 crore in 2010-11. The decline in growth rate of India's exports during the second half of 1990s (1996-2000) is mainly attributed to East Asian crisis, which has put a strain on India's exports not only by shrinking world demand but by also adversely affecting international competitiveness of India's exports due to sharp depreciation of East currencies (Kumar, 1998). But in the case of NAFTA the trend was different, export increased steadily since 1991-92 up to 2006-07 with a single dip in 2001-02.

With a 2.00 per cent and 5.00 per cent decline in 2007-08 and 2009-10 the

value of export finally increased by 26.00 per cent in the year 2010-11. Over the period of 40 years (1950-51 to 1990-91) the exports to USA increased by 41 times i.e. from Rs 115.38 crores to Rs 4,789.62 crores. Over the last ten years, India's exports increased from Rs 375340 Crores to Rs2307726 Crores helping India's share in global exports to improve from 0.8 per cent in 2004 to 1.67 per cent in 2018. However, India's exports declines to Rs2219854 crore in 2019-20.

The value of export to USA showed similar trend as NAFTA. Within the NAFTA, the value of India's exports to USA increased by 1083 per cent for the time period between, 1991-92 to 2006-07, with a single decline of 4 per cent in 2001-02. The decline was due to the semi recession faced by USA. USA has remained India's largest trading partner but in recent years it has lost her share and its position due to growing and extended market of Indian exports, in India's exports its share has declined from 16 percentage points in 1991-92 to 15 percentage point in 2006-07. Thereafter the value with ups and down finally reached to Rs 1,16,362.47 crores in 2010-11. The value to exports to NAFTA increased from Rs. 182981 crores in 2011-12 to Rs. 413351 crores in 2018-19 showing an increase to share in India export from 12 per cent to 18 per cent during the same period. Among

NAFTA, USA has the highest contribution of Rs. 166474 crores and Canada and Mexico contributed Rs. 9924 crores and (Rs. 6582 crores respectively in 2011-12. In 2018-19 Mexico share has

increased more as compared to Canada improving his position from 3rd to 2nd Contributor among NAFTA countries. USA was the top export destination for India in 2019-20.

Table 1.6: India's overall Export and Exports to the NAFTA- countries (Rs. Crore)

Year	Overall	NAFTA	U.S.A	Canada	Mexico
1950-51	606	129.23	115.38	13.79	0.06
1960-61	642	120.20	102.53	17.61	0.06
1970-71	1535	236.27	207.34	27.95	0.98
1980-81	6711	810.33	743.33	62.34	4.66
1990-91	32553	5107.78	4789.62	279.94	38.22
2000-01	203571	46461.52	42509.88	2999.05	952.59
2001-02	209018	44523.28	40601.75	2789.10	1132.43
2002-03	255137	57375.44	52730.37	3379.28	1265.79
2003-04	293367	57520.61	52798.54	3507.00	1215.07
2004-05	375340	67402.31	61851.57	3894.68	1656.06
2005-06	456418	83312.56	76828.08	4522.87	1961.61
2006-07	571779	92817.36	85368.48	5024.50	2424.38
2007-08	655864	90864.12	83388.07	5094.00	2382.05
2008-09	840755	105715.70	96458.42	6246.79	3010.52
2009-10	845534	100548.80	92416.51	5320.58	2811.08
2010-11	11369664	125509	115212	6140	4157
2011-12	1465959	182981	166474	9924	6582
2012-13	1634319	216716	196771	11082	8862
2013-14	1905011	262605	236686	12346	13572
2014-15	1896348	290481	259523	13431	17528
2015-16	1716384	295887	263887	13207	18793
2016-17	1849434	319678	283036	13436	23206
2017-18	1956515	349166	308628	16154	24384
2018-19	2307726	413351	366628	19936	26786
2019-20	2219854	422174	376306	20215	25653
TOTAL	39803820	4721620	3499197	211551.1	1166241

Source: 1. Government of India, Economic Survey, Various Issues.
2. www.commerce.nic.in

The value of India's import from the NAFTA increased from Rs. 141.49 crore in 1950-51 to Rs. 1,05,870.64Crore in 2010-11 and further to Rs.

311234crores in 2019-20. While the value of overall imports increased from Rs. 607 crore to Rs. 16,83,466.96 Croreduring 1950-51 to 2010-11, and

finally to Rs. 3360954 crores in 2019-20. Imports grew by 19.77 per cent in rupee terms during 2018-19. While in 2019-20, value of imports decelerated by (-) 7.98 per cent in rupee terms. This decline was on account of COVID-19, the world pandemic. In the percentage terms the share of NAFTA in India's imports has decreased from 23.00 per cent to mere 9.00 per cent for the period under study. As the USA is the main partner of NAFTA and the position of USA as the main import country has shifted from first in 1996-97 to fourth in 2007-08 and fifth in 2010-11 and USA again regained his position in 2019-20, USA was the

2nd largest country after China as origin of India's Import. This change can be attributed to "look east policy of India", semi-recession faced by the US in 2001-02, and global melt down after 2008. During last ten years the trade with ASEAN countries has increased for India. The value of overall imports of India from Mexico has showed an upward trend it increased from Rs. 5269 crores in 2010-11 to Rs. 30441 crores in 2019-20. In percentage term the share of Mexico among NAFTA increased from 4.9 per cent to 9.7 per cent for the same period.

Table 1.7: India's overall Imports and Imports to the NAFTA countries
(Rs. Crore)

Year	Overall	NAFTA	U.S.A	Canada	Mexico
1950-51	608	141.49	119.16	21.90	.43
1960-61	1122	348.54	327.56	19.86	1.12
1970-71	1634	570.95	452.95	117.23	0.77
1980-81	12549	1891.72	1518.61	332.34	40.77
1990-91	43198	5999.4	5236.98	559.2	203.22
2000-01	230873	15833.77	13773.87	1814.00	245.90
2001-02	245200	17842.9	15021.12	2524.97	296.81
2002-03	297206	24562.5	21504.82	2740.58	317.10
2003-04	359108	26810.95	23135.83	3335.57	339.55
2004-05	501065	35354.8	31498.13	3485.43	371.24
2005-06	660409	46364.21	41859.46	4072.58	432.17
2006-07	840506	64724.59	53105.41	8042.69	3576.49
2007-08	1012312	97330.73	84625.13	7940.17	4765.43
2008-09	1374436	104113	84818.27	11296.75	7998.01
2009-10	1363736	95485.33	80584.33	9954.11	4908.42
2010-11	1683467	105871	91359	9243	5269
2011-12	2345463	138378	112026	14003	12350
2012-13	2669162	174389	137239	15277	21873
2013-14	2715434	176996	135613	19030	22353
2014-15	2737087	177103	133421	22966	20717
2015-16	2490306	185376	142678	27793	14905
2016-17	2577675	197158	149655	27726	19776
2017-18	3001033	227373	171564	30479	25330
2018-19	3594675	312213	248559	24656	38999
2019-20	3360954	311234	253369	27423	30441
Total	35202858	2640297	2118377	285504.5	237377.4

Source: Government of India, Economic Survey, Various issues
www.commece.nic.in

As far as Canada is concerned the trend was a mixed one, Canada import value was Rs.21.90 crores in 1950-51

which declined to Rs.19.86 crores in 1960-61. The value rose continuously till 1995-96 to Rs. 12916.2 cores. The value

finally stood at Rs. 9,243.31 crores with three declines 2007-08, 2009-10 and 2010-11 respectively. In 2013-14 the value of imports from Canada was Rs. 19030 crores, which rose to Rs. 30479

crores in 2017-18. But there was sharp decline in value of imports from Canada it decreased to Rs. 24656 in 2018-19. (Table 1.7)

Table 1.8: Compound Growth Rate of Exports and Imports (1990-91 to 2010-11 and 2011-12 to 2019-20)

	EXPORTS		IMPORTS	
	1990-91 to 2010-11	2011-12 to 2019-20	1990-91 to 2010-11	2011-12 to 2019-20
OVERALL	21.5	22.1	20.01	4.2
NAFTA	15.6	25	17	9.8
USA	15.5	23.4	17	9.8
CANADA	15.7	23.4	16.1	9.2
MEXICO	23.4	42.7	22.8	9.7

Source: Computed from DGCI&S data.

In real terms India's exports grew at much higher rate than of imports from 2011-12 to 2019-20. Overall imports grew at 4.2 per cent, whereas overall exports grew at the rate of 22.1 per cent. In the case of NAFTA, growth rate of imports was 9.8 per cent and growth rate of export was 25 per cent. Thus, the difference in the growth rates of imports and exports was higher for India's overall trade than that of India's trade with NAFTA. It can be concluded that the difference in growth rates of India's exports to the NAFTA and overall exports was lower as compared the differences in the growth rates of imports. Within the NAFTA growth rates

of exports with Mexico were the highest, i.e. 42.7 per cent and for imports the highest growth can be seen for USA (9.5 per cent). It was more than India's overall exports and Imports. Moreover, exports to the Mexico grew at a higher rate than the NAFTA average (Table 1.8). Thus, India's foreign trade with the NAFTA grew at a slower rate than that of the overall foreign trade both in terms of exports and imports. Export from the NAFTA grew at a faster speed than imports to the NAFTA. Within NAFTA Canada and USA showed a similar trend as NAFTA, where exports to Mexico grew at a faster rate than Imports.

Table 1.9 Export as Percentage of Imports: NAFTA and Overall

Year	Overall	NAFTA	U.S.A	Canada	Mexico
1950-51	99	91	96	62	13
1960-61	57	34	31	88	5
1970-71	93	41	45	23	127
1980-81	53	42	48	18	11
1990-91	75	85	91	50	18
1999-000	74	225	235	151	146
2000-01	88	293	308	165	387
2001-02	85	249	270	110	381
2002-03	85	233	245	123	399
2003-04	81	214	228	105	357

2004-05	74	190	196	111	446
2005-06	69	179	183	111	453
2006-07	68	143	160	62	67
2007-08	64	93	98	64	49
2008-09	61	101	113	55	37
2009-10	61	105	114	53	57
2010-11	68	119	127	67	78
2011-12	63	132	149	71	53
2012-13	61	124	143	73	41
2013-14	70	148	175	65	61
2014-15	69	164	195	58	85
2015-16	69	160	185	48	126
2016-17	72	162	189	48	117
2017-18	65	154	180	53	96
2018-19	64	132	148	81	69
2019-20	66	136	149	74	84

Source: Computed from DGCI&S data.

Note: The coefficient of exports and import ratio between 0 and 1 implies that country's imports are greater than exports and if the coefficient is greater than one, country exports more than what it imports.

VI CONCLUSION

To sum up, India's trade with the NAFTA grew faster than her overall foreign trade. On average, India's merchandise trade balance has improved from 2009-14 to 2014-19, although most of the improvement in the latter period was on account of more than fifty per cent decline in crude prices in 2016-17. Lately the improvement in trade balance has positively contributed to the improvement in BoP position. With top trading country USA, India has consistently run trade surplus since 2014-15. India's largest export destination country continues to be the United States of America (USA) in 2019-20 (April-November). Between 2011-12 and 2019-20, India's exports to USA grew the highest. Within the NAFTA growth rates of exports with Mexico were the highest, i.e. 42.7 per cent and for imports the highest growth can be seen for USA (9.5 per cent). It was more

than India's overall exports and Imports from 2011-12 to 2019-20.

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