



India's foreign trade during the pre-independence period

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Abstract

Industrialization, advanced transportation, globalization, Multinational Corporation, and outsourcing are all having a major impact on the international trade system. Increasing international trade is crucial to the continuance of globalization, without international trade, nations would be limited to the goods and services produced within their own borders. Foreign trade is about import and export, but that by no means makes international trade simple. It takes a considerable amount of preparation and planning to enter a foreign market. The role of foreign trade in economic development is considerable. The classical and the neo-classical economists attached so much importance to international trade in a country's development that they regarded it as "an engine of growth". The overall conclusion is that foreign trade has made a tremendous contribution to the development of less developed countries in the 19th and 20th centuries and can be expected to make an equally big contribution in the future and that best policy from the point of view of economic development.

Keywords: globalization, GDP, pre-independence

Introduction

Foreign trade is an exchange of capital, goods, and services across international borders or territories. In most countries, it represents a significant share of gross domestic products (GDP) ^[1]. While International trade has been present throughout much of history (see Silk Road, Amber Road), it's economic, social and political importance has been on the rise in recent centuries foreign trade is all about imports and exports. The backbone of any foreign trade between nations is those products and services which has been traded to some other location on outside a particular country's borders ^[2]. Some nations are adept at producing certain products at a cost-effective price. Perhaps it is because they have the labor supply or abundant natural resources which make up the raw materials needed no matter what is the reason, the ability of some nations to produce what other nations want is what makes foreign trade work ^[3].

India's foreign trade during the pre-independence period

Before the Second World War, India was forced to export more than its imports in order to meet the unilateral transfer of payment to Britain in the shape of salaries and pensions of British capital invested in India during the Second World War, there was a basic change in the nature of India's international trade ^[4]. She began exporting to Britain large quantities of goods, but the engagement of Britain in the war did not permit her to export to India adequate quantities of goods in return. Such unrequired export gave rise to sterling balances ^[5]. Thus more exports and low imports which were the feature of India's foreign trade helped the growth of a favorable trade balance. The balance of trade was so favorable with Britain the principal customer of Indian goods-that even after paying off the debt, India was able to build huge sterling balance

amounting to Rs. 1,733 corers in Apr ^[6].

The pattern of Exports

The value of exports and imports had both been on the increase during 1938-1939 to 1947-1948 ^[7]. The commodity structure of exports also underwent a change whereas the raw material component of exports decline from 45% of total exports in 1938-39 to 31% of total exports declined from 45% of total exports in 1938-39 to 49% in 1947-48 so far as good was concerned. India did export in the pre-war years some wheat, wheat flour, barley, and pulses, but with a rapidly increasing population, the surplus had completely disappeared in the post-independence period ^[7].

The geographical pattern of India's export during the same period reveals that commonwealth countries accounted for 54% of total exports next in importance was Japan (9% and USA 8%) France, Italy, the Netherland, Belgium, and Germany only together accounted for about 15% of India's exports. Another important development was the creation of Pakistan in 1947 turning a part of inter-regional trade into international trade ^[8].

The pattern of Imports

The value of imports also moved up steadily, many factors were responsible for the rise in the value of imports during the war and the immediate post-war period. Firstly, the pent-up demand of the war period pushed up the demand for consumer and capital goods immediately after the war. During the war, due to non-availability of goods, the purchasing power could not be utilized in procuring the goods demanded. Similarly, arrears of replacement of plant and machinery had piled up, and as a result, the demand for capital goods also increased, secondly, price level in India rose much higher than the

corresponding rise in other countries particularly, imports from such countries where inflation had not been as steep as in India got a Folio ^[9]. Thirdly, the partition of India and its rising population meant a rapid exhaustion of food surplus and thus food grain imports touched a high mark of 3 million tons. The country-wise pattern of imports showed that the United Kingdom was the chief supplier to India contributing over 31% of total imports in 1938-39 ^[10]. The share of the United States was only 7% in 1938-39 ^[10]. In 1944-45, it rose to 26 % and 1947-48, it was 30% ^[10]. India was forced to import raw materials like raw jute, raw cotton, raw hides and skins and wool from Pakistan ^[10].

Conclusion

To conclude, Foreign Traders is all about import and export, but that by no means makes international trade simple. It takes a considerable amount of preparation and planning to enter a foreign market. "What we might do is not to reduce or destroy the trade connection which we have in the sterling area but to build up a new connection in other areas in other areas, so that the existing trade connections that we have in the sterling area would not be so large a portion of our total foreign trade.

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