

Chapter III

Our Overall Trade Performance

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Chapter III

Our Overall Trade Performance

3.1: Introduction

This chapter deals with India's trade performance during a decade before the introduction of new trade policy in 1991 and up to 1999-2000. The trade performance will be judged with the help of trade-related data i.e. the volume of exports, imports and the growth rates of exports and imports. Not only this, the chapter gives an overview of trade of agricultural and allied products and of manufactures separately.

3.2: Historical Development

India had an active and mutually enriching trade with all the early civilizations. The history of India's trade and commerce goes back to the Phoenician times when not only did cotton and teak, spices, silks and precious stones changed hands, but a whole series of ideas and thought systems were shared. Indian silks and fine muslins were highly prized and there is contemporary evidence of a flourishing trade between India and the distant European countries since pre-Christian times.

Commerce in India is recorded as far back as 3500 BC when a fairly large scale agricultural economy was existing in the main river basin areas, spreading gradually over the next 3000 years to all parts of the continent. "The Archaeological excavations carried out during the 1920s and 1930s at Mohen-jo-Daro and Harappa (both now in Pakistan) and excavator at Rangpur (in Gujarat) clearly indicate that well before 1500 BC. Indians were carrying on trade with far-off lands, with West Asia and beyond (Vibha Mathur, 2005).

The most important feature of India's foreign trade was that India always had a surplus with the whole world including Europe, which was settled by the inflow of gold into India. But there was a steep decline in trade in the subsequent years since 1800 BC when the Aryans were ravishing most of Asia. Trade routes were blocked and consequently commerce with different countries was at a virtual standstill (Mathur, 2005).

Indian trade existed even before the Christian era. During the Kushana period, India's trade and commerce with the Roman Empire reached stones. During the seventh and eighth centuries A.D. Indian trade had developed further, though by the eighth

century, the Arabs had already proved themselves to be very strong competitors obtaining a foothold in Sind. (Mathur, 2005)

In the tenth century B. C., India had commercial relations with foreign countries in which the Arabs played the role of 'International'. In the first two centuries of the Christian era, there was a considerable increase in trade between India and Rome. The Gupta period, however, is regarded as the golden age in Indian history and Indian trade and culture during this period made a great impact on Central Asia and Malaysia. It can, therefore, be said that trade existed in our country from times immemorial.

During the Mauryan period, beginning around 325 BC, the ship building industry was flourishing solely under state monopoly. Emperor Chandra Gupta established a Board of admirals in 321 BC to control the hiring out of ships, levy duty on imports and exports and other administrative chores. (Mathur, 2005)

Some of those who are reputed to have discovered certain countries, like Columbus, actually were in search of our country which came to be known as 'Golden Bird', largely through the trade which we had with other parts of the world. Archaeological discoveries in India and other parts of the world, have proved the existence of flourishing trade in the Gupta and Mauryan periods, as stated above also. The trade, however, in those times was mainly 'visible trade'. The Europeans, particularly the British, formed trading companies in their countries with a view to develop trade with India. East India Company was an example of this. It came to carry away precious goods – gold, silver, raw materials and even finished goods to England and gave in turn services like Defense, Civil administration etc. Trade, then, became both 'visible' and 'invisible'.

The Mughal period from 1526 to 1707 AD also is viewed as a period of economic and cultural revival in India. While trade and industry progressed well, fine arts, sculpture were also advancing.

In the British period, trade involved heavy imports of Indian textiles into England. According to one estimate, the total exports of bullion to India through the East India Company alone were of 21 million. But the foreign trade of India was in a way an important instrument for exploiting and running the Indian economy.

By the end of the British rule, the foreign trade of India had settled down to a typical colonial pattern. Much of the foreign trade of India was concentrated in the countries of the British Empire. The foreign trade of India, moreover, was handled by the British and other European trade was further strengthened by an almost exclusive control

of the foreign exchange business relating to foreign trade in the hands of the foreign banks.

Before the Second World War, India was forced to export more than import in order to meet the unilateral transfer of payments to Britain, in the form of salaries and pensions for British officers (civil and military). During the Second World War, there was a basic change in the nature of India's foreign trade.

During the Second World War, the British Government commandeered from the poverty-stricken people of India huge supplies of foodstuffs, clothing, leather-ware, iron and steel, cement, railway equipment for the prosecution of their war. The balance of trade was so favorable with Britain, the principal customer of Indian goods, that even after paying off the sterling debt, India was able to build a huge sterling balance amounting to Rs. 1.733 crore.

The engagement of Britain, Japan and Germany in the war did not allow them to export manufactured commodities to India and to the Far and Middle countries. A vacuum was also created in the countries of the Middle East and Far East and consequently India was able to create markets for her manufacturers in these countries and for importing raw materials to feed her growing consumer goods industries.

The first half of the 20th century witnessed many turbulent events. Beginning with the First World War, the problems during the inter-war period, the great depression (1929-34) and the Second World War, all of them disturbed the world economy. Most of the economies were directly or indirectly stricken badly by these events. During 1919 to 1939, Indian imports and exports showed a declining trend. Our exports during Second World War rose rapidly, the imports remained more or less stagnant. After independence, particularly after the beginning of planning, a new trend set in.

The stupendous task of economic reconstruction and industrialization beckoned the dawn of India's independence in 1947. The goals of achieving an all round economic self-sufficiency transforming the backward agrarian Indian economy into an industrial nation and ensuring the millions a better quality of life. This warranted colossal amount of resources quite apart from building the requisite infrastructure and marshalling foreign exchange to translate the set objectives into actual reality.

The present chapter has been planned to study the following aspects:

(i) To study the commodity composition of Indian merchandise exports and imports over the period under study. (ii) To study the structural changes having taken place in the

composition of Indian merchandise exports and imports during post reforms period as compared to pre-reformed period. (iii) To study the changes in the direction of Indian exports and imports during the period under study. (iv) To evaluate the impact of policy changes on the Gross-Domestic Product (GDP) and balance of trade during the Post-reformed Period.

3.3: Methodology and Data Sources

The present study is based on secondary data. The data sources are the Economic Survey, Government of India (various issues), Report on Currency and Finance, Annual Report, Reserve Bank of India (various issues) and CMIE. It covers the period from 1980-81 to 1999-2000 and is carried out to study the overall performance with special reference to composition and direction of Indian foreign trade. The study is further divided into two periods, namely, period I i.e. from 1980-81 to 1989-90 termed as pre-reformed period; and period II. i.e. from 1990-91 to 1999-2000 termed as post-reformed period. To analyse the composition of Indian merchandise exports, the average percentage of share of agricultural and allied products. ores & minerals, manufactured goods (textile fabrics, which includes cotton yarn, fabrics, made-ups readymade garments etc. jute manufactures, chemicals and allied products, machinery, transport equipments and metal manufactures), mineral fuels and lubricants have been calculated both for period I and II. Furthermore the annual average percentage growth of exports of above-mentioned constituents during period II over period I has also been calculated. Similarly to study the composition of Indian merchandise imports, the average percentage share of food and live animals, raw material and intermediate manufactures (petroleum oil & lubricants, fertilizers & chemical, iron & steel) and capital goods (non electric machinery apparatus & appliances, electric machinery apparatus & appliances) have been calculated. The average percentage growth of different constitutions of imports during period II over period I has also been calculated.

To study the direction of Indian exports and imports again the data have been divided into two periods i.e. period I covers 1980-81 to 1989-90 and period II covers 1990-91 to 1999-2000. To analysis the changes which have taken place in regard to the direction of Indian exports i.e. the percentage share for all the years as well as annual average percentage share of Indian export to important destinations, namely, OECD (Organization for Economic Cooperation and Development); OPEC (Organization of Petroleum Exporting Countries); Eastern and Developing Countries have been calculated

for all the years in both the periods. OECD includes EU (European Union). North America and Asia and Oceania. OPEC includes Iran, Kuwait and Saudi Arabia. Developing countries include countries of Africa, Asia, Latin America and Caribbean countries.

To study the impact of new economic policy introduced during the early 1990s, a comparison of pre and post-reforms period i.e. period I and period II has been carried out. For this purpose the balance of trade has been calculated for both the periods. Moreover exports as well as imports as percentage to gross domestic product (GDP) have also been calculated for both the periods. The percentage changes in exports and imports during the entire period of twenty years have also been calculated. Furthermore to compare the performance of Indian exports and imports during period II over period I, the annual average percentage growth rates have been computed.

The following tools have been employed for our purpose:

Arithmetic Mean (AM): To understand the magnitude of exports and imports and to compare with other periods, simple arithmetic mean is used as average.

Index Number : The value of exports (or imports) in the year 1981 is taken as the base year figure and to index numbers for various year other years have been worked out by using the following formula

$$\text{Index Number} = \frac{\text{Value of Exports (or Imports) in the year } i}{\text{Value of Exports (or Imports) in the year 1981.}}$$

Linear Growth Rate (LGR): The linear growth rate per annum is expressed in percentage and it is calculated by using the following formula

$$\text{L.G.R.} = \frac{\text{Last year value} - \text{First year value}}{\text{First year value} \times \text{No of years}} \times 100$$

3.4: India's Exports

India's share in global exports had declined steadily from 2.4 percent in 1948 to 0.7 percent in 1980 and again to 0.4 percent in 1996 and was hovering at around 0.6 percent in 2002-2003. Exports constitute a key factor in economic development of a country. For a developing country, it is essential to build up a sizeable export surplus. The rate of economic growth is largely determined by the rate at which a country can expand its capacity.

Higher rates of economic growth tend to be associated with higher rates of export growth. A country tries to promote growth while ignoring export performance may

succeed in the short-run, but it will be hard-pressed to sustain growth over a long period of time.

Commodity Composition of Indian Exports

The commodity-wise composition of Indian exports during 1981 to 1990 and 1991 to 2000 has been presented in Table 3.1. During the post independence period India has gradually transformed from a predominantly primary product exporting country to an exporter of manufactured products. Before liberalization, the share of agriculture and allied products was 27.70 percent in 1985-86. This went down to 19.41 percent of its share during post liberalization period. The loss of agricultural sector was the gain of the percent in 1980-81 to 62.70 percent in 1986-87, to 72.91 percent in 1990-91, 78.94 percent in 1994-95 and finally increased to 79.93 percent in 1999-2000.

However prior to the introduction of economic reforms i.e. during 1981-90, the average annual share of manufactured goods in Indian export was 64 percent which increased to 76.87 percent during period II. On the other hand, the share of primary goods i.e. food, ores, minerals and mineral fuels declined from 35 percent during period I to 23 percent during period II.

A detailed analysis of manufactured goods shows that the share of textile fabrics & manufactures increased from an annual average of 17.56 percent during period I to 23.91 percent during period II. The share of traditional export of India i.e. Jute has consistently declined over the period. Its share has declined from 1.95 percent in period I to 0.52 percent period II.

Table 3.1: Composition of Indian Exports During Pre-reformed Period (1980-81 to 1989-1990)
(In Rs. Crores)

Year	Total	Agr. & allied prod.	Ore. & min.	Total	Textile fabrics & manu	Jute manu	Clem. & allied products	Trans & jewel.	Mach. Trans & metal manu.	Mineral fuels & lubri.
1980-81	6711	2057	414	3747	933	330	225	618	827	280
		30.65	6.17	55.83	13.90	4.92	3.35	9.21	12.32	0.42
1981-82	7806	2221	458	4370	1047	258	364	761	945	225
		28.45	5.87	55.98	13.41	3.31	4.66	9.75	12.11	2.88
1982-83	8803	2450	491	4551	1556	206	348	1015	867	1240
		27.33	5.59	51.70	17.68	2.34	3.95	11.53	9.85	14.09
1983-84	9771	2622	506	4969	1481	171	328	1294	807	1590
		26.83	5.18	50.85	15.16	1.75	3.36	13.24	8.26	16.27
1984-85	11744	2997	678	6210	1718	341	483	1237	956	1823
		25.52	5.43	52.88	14.63	2.90	4.11	10.53	8.14	15.52
1985-86	10895	3018	785	6374	1795	262	498	1503	954	655
		27.70	7.21	58.50	16.48	2.40	4.57	13.80	8.76	6.01
1986-87	12452	3422	717	7808	2179	244	583	2074	1133	418
		27.48	5.76	52.70	17.50	1.96	4.68	16.66	9.10	3.36
1987-88	15674	3504	765	10707	3309	241	801	2613	1480	657
		22.38	4.88	68.31	21.11	1.54	6.11	16.67	9.44	4.19
1988-89	20232	3723	1003	4947	3722	233	1288	4392	2256	518
		18.40	4.96	73.88	18.40	1.15	6.37	21.71	11.15	2.56
1989-90	27681	4879	1363	20659	5398	296	2143	5296	3289	740
		17.63	4.92	74.63	19.50	1.07	7.74	19.13	11.88	2.67
Average	13171	3089	714	8434	2314	958	706	2080	1351	789
		23.44	5.12	64.00	17.56	1.95	5.36	15.78	10.25	5.99

Source: Government of India, Economic Survey (various issues)

Note: Figures in dark refer percentages to total

Table 3.2: Index for Composition of Indian Exports During Pre-reformed Period (1980-81 to 1989-1990)

Year	Total	Agr & allied prod.	Ore & min	Textile fabrics & manu	Jute manu	Chem.& allied products	Trans & jewel	Mach trans & metal manu	Mineral fuels & lubri
1980-81	100	100	100	100	100	100	100	100	100
1981-82	116.30	107.97	110.63	112.21	78.18	161.78	123.14	114.27	80.36
1982-83	131.17	119.11	118.60	166.77	62.42	154.67	164.23	104.84	442.86
1983-84	145.59	127.47	122.22	158.74	51.82	145.78	209.38	97.58	567.79
1984-85	174.99	145.70	163.77	184.14	103.33	214.67	200.16	115.60	651.07
1985-86	162.34	146.72	189.61	192.39	79.39	221.33	243.20	115.36	233.93
1986-87	185.55	166.36	173.19	233.55	73.94	259.11	335.60	137.00	149.29
1987-88	233.56	170.35	184.78	354.66	73.03	356.00	422.82	178.96	234.64
1988-89	301.47	180.99	242.27	398.89	70.61	572.44	710.68	272.79	185.00
1989-90	412.47	237.19	329.22	578.56	89.70	952.44	856.96	397.70	264.29

Note: Computed from Economic Survey (various issues), Government Of India

On the other hand, the share of chemicals and allied products has increased consistently during the period and it has been identified as a potential export product of India. Its average annual share increased from 5.36 percent during period I to 9.52 percent in 1980-81, to 13.80 percent in 1985-86, to 17.09 percent in 1994-95 and further to 20.50 percent during period I to 17.03 percent during period II. The share of machinery, transport equipment and metal manufactures has also increased from 10.25 percent during pre-reformed period to 13.78 percent during the post-reformed period. From the data it is revealed that the share fluctuated during 1980s, it remained stable during 1990s. Like the other primary products, the share of mineral fuels & lubricants increased sharply from 0.42 percent in 1980-81 to 16.27 percent in 1983-84 but declined sharply to 2.91 percent in 1990-91 which further declined to 0.43 percent in 1998-99. The annual average share has decreased from 5.99 percent during period I to 1.67 percent during period II.

The average annual level of India's total exports during period II valued at Rs. 93729 crore were higher by 61.13 percent than that recorded during period I i.e. Rs. 13177 crore. Between these two periods, the export of agricultural & allied products, ore & minerals and mineral fuels & lubricants recorded a lower growth of 45.89 percent, 25.56 percent and 9.84 percent respectively, whereas manufactured goods showed a higher growth of 75.43 percent. Among the manufactured goods, textile fabrics and manufactures as well

as machinery, transport equipments and metal manufactures showed a higher increase of 86.87 percent and 85.63 percent respectively. This period demonstrates the fluctuations in the international prices and changing pattern of domestic demand. The composition of Indian exports during post-reformed period is shown in table 3.3 and the export index in table 3.4.

Table 3.3: Composition of Indian Exports During Post-reformed Period (1990-91 to 1999-2000)
(In Rs.Crores)

Year	Total	Agr. & allied prod.	Ore. & min.	Total	Textile fabrics & manu	Jute manu.	Clem. & allied products	Trans & jewel.	Mach. Trans & metal manu.	Mineral fuels & lubri.
1991-92	44042	8228 18.68	2030 4.61	32693 74.23	10106 22.95	391 0.89	325 8.91	6750 15.33	5508 12.51	2041 2.36
1992-93	53688	9457 17.61	1814 3.38	40835 76.06	12498 23.28	355 0.66	3991 7.43	8896 16.57	7118 13.26	1520 2.83
1993-94	69751	13021 18.67	2371 3.40	52702 75.56	14863 21.31	389 0.56	5688 8.15	12533 17.97	9484 13.60	1554 2.23
1994-95	82674	13712 16.59	2538 3.07	54683 78.24	19945 24.12	473 0.57	7642 9.24	14131 17.09	10947 13.24	1610 1.95
1995-96	106353	21138 19.88	3061 2.88	80219 75.12	24149 22.71	621 0.58	9849 9.26	17644 16.59	14578 13.71	1761 1.66
1996-97	118817	24239 20.40	3185 2.68	88526 74.51	27793 23.39	552 0.46	11463 9.65	16872 14.20	17431 14.67	1832 1.54
1997-98	130101	2549 19.54	3062 2.35	99834 77.73	32108 24.46	694 0.53	13692 10.52	19867 15.27	19528 15.01	3399 1.08
1998-99	139752	26104 18.68	2827 2.02	109787 78.56	35381 25.46	582 0.42	14211 10.17	24945 17.85	18479 13.22	594 9.48
1999-00	159561	25016 15.68	3005 1.88	127532 79.93	40178 25.18	544 0.34	17389 10.90	32716 20.50	22251 13.95	3399 2.13
Average	93729	17265 18.42	2539 2.71	72054 76.87	224148 23.91	490 0.52	8930 9.52	15960 17.03	12920 13.78	3566 1.67

Source: Government of India, Economic Survey, (various issues)

Note: Figures in dark refer percentages to total

Table3. 4: Index for Composition of Indian Exports During Post-reformed Period (1991-91to 1999-00)

Year	Total	Agri. & allied prod.	Ore & min	Textile fabrics & manu	Jute manu	Chem. & allied products	Trans & jewel	Mach trans & metal manu	Mineral fuels & lubri
1991-92	656.26	400.00	490.33	1083.17	118.48	144.44	1092.23	666.02	728.92
1992-93	800.00	459.74	438.16	1339.54	107.57	1773.78	1439.48	860.70	542.86
1993-94	1039.53	633.01	559.66	1593.03	117.87	2528.00	2027.99	1146.79	555.00
1994-95	1231.92	666.60	613.04	2137.72	143.33	3396.44	2286.56	1323.70	575.00
1995-96	1584.77	1027.61	739.37	2588.31	188.18	4377.33	2855.06	1762.76	628.92
1996-97	1770.48	1178.37	769.32	2978.88	167.27	5094.67	2730.09	2107.73	654.29
1997-98	1938.62	1239.23	739.61	3448.37	210.30	6085.33	3214.72	2361.13	499.64
1998-99	2082.43	1269.03	682.85	3792.17	176.36	6316.00	40.36	2355.38	221.14
1999-00	2377.60	1216.14	725.85	4306.32	164.84	7728.44	5293.51	2690.57	1211.78

Note: Computed from Economic Survey (various year), Government of India

The export index with 1981 as the base came to 412.47 in 1989-90 and 2377.60 in 1999-00. This means that the export to the other countries have grown by 56.67 times during the second phase under investigation.

The analysis of data supports that some of Indian exports have moved upward in value addition chain whereby instead of exporting raw materials the country has switched over to processed items during the post-reformed period.

3.5: Foreign Trade During Post-reformed Regime

An important aspect of trade of a country is its composition. Exports indicate the facts about the goods that we have and how much of them we can and are willing to sell. The changes in the composition of trade mirror the developments taking place in the domestic structure of production over a period of time.

In the early years of planning, traditional commodities alone were important but with the success of industrialization and general improvement in the structure of the economy, new commodities also became important. At present, India's exports by major commodity groups are: manufactures which include engineering goods, chemicals and allied products, cotton yarn, fabric etc., jute manufactures, leather and its manufactures, readymade garments, gems and jewellery. Together, they accounted for 76.1 percent in 2001-2002 as is evident from table 3.5 which depicts composition of India's exports in percent share from 1950-51 to 2001-02 and agriculture and allied products category

includes cashew kernels, coffee, marine products, raw cotton, rice, spices, sugar, tea and mate, tobacco etc. Together these accounted for 13.4 percent of total exports in 2001-2002.

Table 3.5 gives composition and value of India's major export items from the period 1990-91 to 2001-02. Table 3.6 highlights the percentage share of different export items in total export of India.

Agricultural and Farm Products

Agricultural products like tea, coffee, cashew nuts, spices and leather are important items of India's exports and hence foreign exchange earnings. Agriculture is also the source of raw material for agro-based industries including textiles, cigarettes, jute, sugar, paper, processed foodstuffs and vanaspati. Moreover, agricultural sector provides market for capital goods (tractors, pump sets and other agricultural machinery), inputs (fertilizers, insecticides), and light consumer goods.

In 1990-91, agricultural and allied goods exported were valued at Rs. 6317 crore but there was a tremendous fall in their share to 19.40 percent. As compared to 1960-61, it can be stated that during a span of 30 years, share of agricultural and allied goods exported by India suffered a major setback. From a large share of 44.24 per cent in 1960-61, its share came down to only 19.40 per cent.

Table 3.5: India's Exports by Commodity Groups (1990-91 to 2001-2002)

Commodity	1990-91	1994-95	1995-96	1998-99	1999-00	2000-01	2001-02
I. Agricultural & allied goods	6317	13712	21138	26104	25016	28582	29312
Coffee	252	1053	1503	1728	1435	1185	1095
Tea & mate	1070	975	1171	2265	1785	1976	1719
Oil cakes	609	1798	2349	1942	1638	2045	2263
Tobacco	263	255	447	762	1009	871	808
Cashews	447	1247	1237	1627	2461	1883	1652
Spices	239	612	794	1633	1767	1619	1497
Sugar	38	62	506	24	40	511	1782
Raw cotton	846	140	204	207	78	224	43
Rice	462	1206	4568	6281	3126	2943	3174
Fist & fish preparations	960	3537	3381	4369	5125	6367	5897
Meat, etc.	140	403	627	788	819	1470	1193
Fruits & vegetable	213	606	802	931	1247	1609	1560
Misc. food items	213	282	745	546	668	1094	1236
II Ores & minerals	1497	2538	3061	2827	3005	4139	4736
Mica	35	22	27	43	42	64	56
Iron ore	1049	1297	1721	1615	1175	1634	2034
III. Manufactured goods	23736	64688	80219	109787	127532	160723	161161
Textiles	6832	19945	24149	35581	40178	--	--
Cotton yarn	2100	7014	8619	11661	13388	16030	14655
Ready-made garments	4012	10305	12295	18364	20649	25478	23877
Coir yarn	48	173	210	317	200	221	295
Jute manufactures	298	473	621	582	544	932	612
Leather etc.	2600	5057	5790	6847	6890	8914	9110
Handicrafts	6167	16730	20501	4950	5058	5097	4406
Gems & Jewellery	5247	14131	17644	24945	32716	33734	34845
Chemicals & Allied Products	2111	7642	9849	14211	17389	22851	22393
Machinery, transport equip.	3872	10947	14578	18479	22251	31870	33093
IV. Mineral fuels & lubricants	948	1610	1761	594	3399	8822	10411
V. Others	55	126	174	441	609	1305	3398
Total	32559	82674	106353	139752	159561	203571	209018

Source: Government of India, Economic Survey (2002-2003)

In 1994-95, Rs. 13, 712 crore worth of agricultural and allied goods were exported with a share of 16 per cent in the total exports of our country. The year 1996-97, however, saw an increase in the share of agricultural goods, which was 20.3 per cent but fell down

a little to 18.8 percent in 1997-98. In 1999-2000, the value of agricultural exports was Rs. 25,016 crore and in 2001-2002 it was Rs. 29,312 crore representing a share of 13.4 per cent. Perhaps there has been a slide decline (-) 2.2 % change in the percentage share of this group in India's total exports.

Table 3.6 Composition of India's Exports During 1990-91 to 2002-03

Commodity Group	(Percent shares)						
	1900-91	1991-92	1993-94	1999-2000	2000-01	2001-02	2002-03*
I. Agri. & allied goods	19.40	18.68	18.0	15.2	13.5	13.4	11.9
Tea	3.28	2.75	1.5	1.1	1.0	0.8	0.7
Coffee	0.77	0.75	0.8	0.9	0.6	0.5	0.4
Tobacco	0.81	0.86	0.5	0.5	0.3	0.3	0.3
Spices	0.73	0.89	0.8	1.1	0.8	0.7	0.7
Cashew	1.37	1.53	1.5	1.5	0.9	0.8	0.9
Marine products 2.95	2.95	3.28	3.7	3.2	3.1	2.8	2.8
Raw cotton	2.60	0.69	0.9	--	0.1	--	--
II. Ores & minerals	4.60	4.61	4.0	2.5	2.6	2.9	3.8
III. Manu. goods	72.90	74.23	75.5	80.7	78.0	76.1	75.8
Leather	7.98	7.10	6.0	2.6	2.9	2.8	2.4
Gems & jewellery	16.11	15.33	18.0	20.4	16.6	16.7	17.3
Ready-made garments	12.32	12.31	11.6	12.9	12.5	11.4	10.7
IV. Minerals & lubricants	2.91	2.36	2.9	0.1	4.2	4.8	5.0
V. Others	0.17	0.12	0.7	1.5	1.7	2.8	3.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Government of India, Economic Survey, 2002-2003.

The EXIM Policy of 2002-2007 gives a major thrust to agricultural exports by removing export restrictions on designated items. The efforts to promote export of agro and agro based products in the floriculture and horticulture sector have been sustained in the notification of 32 Agri-Exporting Zones across the country. Non-actionable subsidies such as transport subsidy have been provided for the export of fruits, vegetables, floriculture, poultry and dairy products.

Coffee is another traditional commodity exported by our country whose percentage share in total export earnings has been within the range of 0.45-3.00 percent in a span of 50 years (1950-51 to 1998-99). In 1950-51, Rs. 1.4 crore worth of coffee was exported which rose to Rs. 7 crore in 1960-61. A decade later, i.e. in 1970-71, coffee exported was valued at Rs. 25 crore showing a rise of 257 percent. There was, however, a

remarkable rise in the export of coffee in 1980-81, which was valued at Rs. 214 crore showing a steep rise of 7.56 percent over its previous decade.

In 1990-91, after a gap of 10 years, there was still not much rise in the export of coffee, as Rs. 252 crore worth of it was exported. In 1994-95, however, there was a sharp increase in the export of coffee, its value being Rs. 1053 crore showing an increase of 318 percent over 1990-91. In 1997-98, coffee exports further rose to Rs. 1,622 crore, accounting for 1.3 percent of India's total exports. It touched a peak of Rs. 1,728 crore worth of exports in 1998-99. Exports of coffee stood at Rs. 1,435 crore in 1999-2000 and fell sharply to Rs. 1,095 crore in 2001-02. Hence, after a continuous rise for over 6 years the coffee exports started to decline in 1999-2000 and have fallen drastically by over 36 percent in the current year compared to the 1998-99 figure.

Competition to India comes mainly from Kenya and some other ACP countries. Non-ACP competitors are the South American countries for coffee. India will have to step up production and improve its quality to enhance the export of coffee.

Tea has been the most important traditional commodity in our exports. The Indian tea industry is a prolific source of foreign exchange for the Central and State Governments. India has the largest average as well as the highest production of tea in the world. It even occupied the first position in our export items in few years of 1960's. As Table 5.1 indicates, our exports of tea were valued at Rs. 80.4 crore in 1950-51 and rose to Rs. 124 crore in 1960-61. Indeed, the devaluation of Indian currency in June 1966 failed to improve foreign exchange earnings from tea exports. In terms of post-devaluation rupees, the value of the exports declined to Rs. 114.84 crore in 1965-66 and increased again to Rs. 148 crore in 1970-71.

Early 1990s saw a tremendous rise in the export of tea which was valued at Rs. 1070 crore, showing a rise of 151.1 percent over its previous decade. Exports of tea declined a little to Rs. 975 crore in 1994-95 rising again to Rs. 1,171 crore in 1995-96. In 1997-98, tea exported by our country was valued at Rs. 1,505 crore which depicted a rise of 45 percent over 1996-97. Regarding its share in our total exports, tea had the largest share of 19.3 percent in 1960-61 (share of tea in 1950-51 was 13.21 percent). However, its share started declining and in 1970-71, it came down to only 9.64 percent. Share of tea in total goods exported by India, in 2001-02 stood at 0.8 percent a perceptible fall of (-) 16.7 percent over 2000-01. Value of tea exported by India in 2001-02 stood at Rs. 1719 crore.

The downward trend in agricultural and allied goods can be attributed to a major setback suffered by the export of tea and coffee. Our principal customers of tea are the UK, the USA, Canada, UAE, Australia, Russia and Germany. But the main problem in regard to tea exports has been a stagnant demand and cutthroat competition from rivals like Sri Lanka, China, Indonesia and Hongkong.

After several years of uncertainty and unprofitable working, now the Indian tea industry appears to be doing fairly well, though there are still many difficulties and problems in our tea production and exports. A serious weakness of our tea industry is that, too little, attention has been given to replanting and modernization and also to the development of high quality tea. High cost is another problem in our tea exports.

Summing up our evaluation of the poor performance of India's tea exports in recent years, it can be said that a major reason has been competition from other producers and also that other beverages have become more popular in recent years. Also, our competitors have been increasing their yield quite rapidly.

For the rapid growth of tea industry, measures like relationship of excise duties, grant of depreciation on plantations etc. would be very helpful. It is also very important for plantations to become more efficient and competitive and to concentrate on producing superior quality tea. It is also crucial that we adjust our exports to the consumption patterns in the importing countries by evolving instant and other forms of tea which would help to sell a large volume of tea at a lower price.

Indian tea industry, in the coming years can be expected to play a major role in the country's economic development and foreign trade only if it is given the encouragement and the incentives to strengthen its competitive capacity.

Tobacco has been yet another highly paying traditional exportable item and its relative share in the country's exports, like that of the other traditional exportable has been marginal and has moved in a narrow direction.

Our exports of tobacco were valued at Rs. 19 crore in 1950-51 and at Rs. 16 crore in 1960-61. In the subsequent years, the export increased moderately and accounted for Rs. 33 crore in 1970-71.

The beginning of 1990s saw a drastic fall in the share of tobacco in total goods exported by India. It declined to 0.81 percent in 1990-91. In 1994-95, it further came down to 0.2 percent. In 1997-98 and 1998-99, its share was 0.80 and 0.80 percent respectively. In spite of the fact that the quality of tobacco has improved, a major reason

in the decline of this commodity has been its inadequate production. The trend seems to continue since the beginning of 1999-2000 when tobacco exports touched to Rs. 1,009 crore but declined to Rs. 871 crore in 2000-01 and further to Rs. 808 crore in 2001-2002. In 2001-02, the share of tobacco in total exports hovered at 0.3 percent.

The UK had been the most important market for India in the 1950s but at present it is exported mainly to Belgium, Germany, the Netherlands, Japan and Singapore. India's exports suffered also because of increased competition from other tobacco-producing countries and also due to special performance of special areas and tobaccos of certain origin. India did not do her best to exploit even the limited opportunities open to her. Its demand from the UK also suffered because of inferior quality.

Cashew Kernel is another of our traditional export items can be noted from Table 4.1 that export of cashew kernel has shown a continuous increase during the first and second decades of planning. As a result of vigorous sales efforts, its exports recorded a significant improvement from Rs. 8.6 crore in 1950-51 to Rs. 18.9 crore in 1960-61. The value of exports increased from Rs. 57 crore in 1970-71 to Rs. 140 crore in 1980-81, showing a rise of 145.6 percent over its previous decade.

In 1990-91, there was almost a four-fold increase in the value of cashew kernel exported by our country Rs. 447 crore worth of cashew kernel was exported in 1990-91 which rose remarkably to Rs. 1,237 crore in 1995-96 indicating a rise of 176.7 percent. In 1997-98, Rs. 1,384 crore worth of cashew kernels were exported by our country. The exports of this commodity touched a remarkable level of Rs. 2,461 crore in 2000-01 and further to Rs. 1,652 crore in 2001-02. Its share stood at 0.8 percent of total Indian exports in 2001-02 which is alarming keeping in view that it has maintained its share at more than 1 percent since the 1950's. The share of this commodity in our total exports was 1.41 percent in 1950-51 which increased to 2.96 percent and 3.71 percent in 1960-61 and 1970-71 respectively. In 1980-81, its share fell down to 2.01 and further to 1.37 percent in 1990-91. From 1991-92 to 1994-95, its share was constant at 1.5 percent. In 1997-98 and 1998-99, its share was 1.1 and 1.71 percent respectively.

Major markets for this commodity are the UK, the USA, Russia, Germany, the Netherlands, Canada and Australia. Till 1970s our exports of cashew kernel were, by and large, concentrated only in two markets, the USSR and the USA. Although, India's main drawback in regard to cashew export was the dependence on imports of raw nuts, the indigenous production of raw nuts was not sufficient to meet India's exports of kernels.

Spices in 1950-51, our foreign exchange earnings through spices accounted for Rs. 25.5 crore, which fell down to Rs. 16.6 crore in 1960-61. A decade later, in 1970-71 spices worth Rs. 38.9 crore were exported which was double the amount of its previous decades. Early 1990s again saw a remarkable rise in the spices exported by India. Rs. 239 crore worth of this good was exported in 1990-91 which rose to Rs. 794 crore in 1995-96, showing a rise of 232.2 percent over 1990-91. In 1997-98, spices exported were valued at Rs. 1,408 crore which was almost double the amount of 1995-96. The value of spices exported in 1999-2000 stood at Rs. 1767 crore, at Rs. 1619 crore in 2000-01 and Rs. 1497 crore in 2001-02 showing a fall of 270 crore over a 3 year period.

Species had a share of 4 percent in 1950-51 which fell down to 2.65 percent in 1960-61. This share was almost constant at 2.54 percent in 1970-71. However, there has been a decline in the share of spices since 1980-81, when the share of spices in total exports decreased to only 0.16 percent. From 1990-91 to 1994-95, this share remained almost constant at 0.7 percent. In 1997-98 and 1998-99, the shares had risen to 1.1 and 1.35 percent respectively. The share of this commodity has infact dropped down considerably to 0.3 percent in 2001-02.

The important partners for this group are France, the Netherlands and the UK. Competition to India comes mainly from Kenya and some other ACP countries which have stepped up their exports in recent years. Non-ACP countries are Malaysia, Indonesia and Brazil for this product.

Marine products have emerged as an important source of foreign exchange earnings. Export of marine goods was, quite stagnant in 1970-71. From Rs. 2.5 crore and Rs. 5. Crore in 1950-51 and 1960-61, it rose to Rs. 33 crore in 1970-71, showing an increase of 560 percent over its previous decades. It increased sharply to Rs. 217 crore in 1980-81 and there was a four-fold rise in the value of this good exported to Rs. 960 crore in 1990-91. In 1994-95, Rs. 3,381 crore worth of marine goods were exported which showed an increase of 252 percent over 1990-91. In 1997-98, there was a further rise in the value of this item. Rs. 4,313 crore worth of marine goods were exported (see table 3.5).

Marine products have continuously shown an upward trend since 1950s. From a negligible share of 0.41 percent in 1950-51, it rose to 0.78 percent and to 2.02 percent in 1960-61 and 1970-71 respectively. Beginning of 1980s saw a further rise in the share of marine goods which was 3.23 percent in 1980-81. In 1990-91, its share declined a little to

2.95 percent but rose quickly to 4.3 percent in 1994-95. However, from 1995-96 to 1998-99, its share has been 3.4 percent and 2.98 percent respectively. The share of marine products has rather declined marginally to 2.8 percent in 2001-02. The government has focused on promoting special schemes to improve the export of the commodity, Till the early 1960s, Ceylon and Burma were our important markets but in late 1970s Burma discontinued its import and Ceylon had also reduced its off-take considerably. USA and Japan, have on the other hand, emerged as the most important markets for our marine goods.

Among the European Union countries major partners are the UK, Italy and France. India's major export item in this group is frozen shrimps. Other important market is Australia. The competition to India comes mainly from China, Indonesia, Thailand, Bangladesh, Cuba and Tunisia besides ACP countries. The fisheries sector in the latter has benefited substantially under the LOME Conventions through financial support for development and exploitation of fishery resources for higher processing and for stabilization of export earnings.

The development to be considered by the Indian industry in this sector should include (i) increased competition from some of the European Union countries themselves consequent to the rights that they may secure under the Lome Convention; (ii) increased competition from third world countries including ACP countries; (iii) the uniform and stricter implementation of health regulations and packaging and labeling laws throughout the Union; (iv) the major sea food firms in the union joining hands through mergers and acquisitions for large scale operations; (v) the limitations faced by India due to concentration of its supplies in one product group namely, shrimps and (vi) the inelastic supply base of the country.

Processed Foods: The food processing industry in India comprises of three groups, namely (i) small-scale or cottage-scale unorganized sector, (ii) medium-scale; and (iii) large-scale organized sector. The government is committed to provide a large thrust to food processing industry for increasing income of farmers, create employment opportunities, diversify the rural economy and foster rural industrialization. This sector can go a long way in improving agricultural productivity, reducing wastage of fruits, vegetables and other perishable food items and improving food availability, both for the domestic market and for exports:

India is the largest producer of fruits in the world, yet its share in processed fruits trade is very meager. It is estimated that India's share of world trade in the food processing sector is only 1 percent. Besides India's poor performance, its direction of trade and content is also not in tune with the global scenario. The major items of exports are traditional Indian and Western products like pickles, chutneys, jams, ketchup and squashes, whereas international demand is for fruit pulps, concentrates, juices and freeze dried products. The main markets for Indian exports are Russia, the USA, the UK and the Middle East. On the other hand, the major importers of processed fruits are Europe and the affluent East Asian markets. Processed vegetables comprise only a small portion of world trade, relative to other processed items. The overall trade in these items is only about 4 percent of the total trade in preserved fruits and vegetables. However, the importance of processed vegetables has been rising over time, and currently, the demand for some of these items, such as canned mushrooms and tomato paste has been growing. Given India's large raw material base in the production of vegetables, the growing demand indicates tremendous export potential in this area.

On the export front, export of fruits and vegetables had been steadily increasing. It increased from Rs. 77.16 crore in 1982-83 to Rs. 588.43 crore in 1997-98 and Rs. 1608 crore in 2000-2001, with a sharp decline in 1985-86 and a slight decrease in 1987-88. Major items of fruits and vegetables exported from India include fresh mangoes, fresh grapes and onions. Quantity wise and value wise trend has been erratic. Indian mango and grapes are exported to the UAE, Bangladesh and United Kingdom. Other fresh fruits have a market in Bangladesh, the UAE and Saudi Arabia. Destinations of onion exports include Bangladesh, the UAE, Malaysia, Sri Lanka and Singapore. Fresh vegetables are exported to Sri Lanka, the UAE, Saudi Arabia and Belgium.

Export performance of processed fruits and vegetables is encouraging. Mango pulp, pickles & chutneys and dried and preserved vegetables constitute major item of export under this category. From the angle of domestic product mango pulp constitutes the most important mango product in India. The major producers of mango pulp in the country are M/s Wimco Ltd., Tropical Fruits International Ltd., Kissan and Nafed. The major importers of mango pulp from India are Saudi Arabia, the USA, the UK, the UAE and Netherlands. Pickles and chutneys and dried and preserved vegetables are exported to the UK, the USA and UAE.

Export of meat & meat products has also increased considerably. Buffalo meat and sheep/goat meat are the major items of export. It accounts for more than 84 percent of the total meat & meat products exported from the country. The trend in respect of export of sheep/goat meat is exported to Malaysia, the UAE, Iran and Oman. Sheep/Goat meat has a market in Saudi Arabia, UAE, Oman and Bahrain.

Being a major producer of fruits and vegetables, there is huge raw material availability for processing. It is estimated that only about 0.5 percent of the fruits and vegetables produced in India gets commercially processed. India's share in world export of processed fruits and vegetables is about 0.4 percent. This indicates tremendous potential for growth of processed fruits and vegetable sector in India. The capacity for fruit and vegetable processing has grown steadily from 0.275 million tones in 1980 to 1.40 million tones in 1994.

Manufactured Goods: This is a major commodity group exported by India, whose share in the total exports of our country has consistently grown from 1950-51 till date. In 1960-61, its share in the total goods exported was 45.33 percent. In 1970-71, it rose to 50.29 percent and further to 55.83 percent in 1980-81. In 1990-91, there was a sharp increase in the share of this commodity group, it represented 72.90 percent of the total exports by India. In 1994-95, its share further rose to 78.1 percent. It declined to 74.1 percent in 1996-97 and in 1998-99, its share was 75.83 percent. In 2000-01 it stood at 78 percent and fell marginally to 76.1 percent in 2001-02.

The consistent rise in the share of this commodity group can be attributed to many major commodities, whose exports have shown a remarkable increase in a span of 50 years. These goods include gems and jewellery, ready-made garments, cotton yarn and fabrics, leather and leather manufactures machinery and electronic goods etc.

Cotton Yarn Fabrics: In ancient times, Indian cotton textiles were famous all over the world for their elegance and fine finish. Even before the Industrial Revolution in the European countries, India occupied a place of repute among exporters in cotton textiles.

In 1950-51, our exports of this commodity was valued at Rs. 80 crore but declined to Rs. 65 crore in 1960-61. During the above period, India found it very difficult to capture the international market because of relatively high cost in Indian textile industry, due to rising labour costs and use of outworn machinery.

However, the devaluation and the use of modern and new automatic machinery increased our exports of cotton textiles. During 1970-71, exports of this commodity

increased to Rs. 142 crore and further to Rs. 408 crore in 1980-81, showing almost a four-fold rise over its previous decade. In 1990-91, a decade later, cotton yarn exported was valued at Rs. 2100 crore which depicted a rise of 414.7 percent over 1980-81. In 1995-96, foreign exchange earnings received through this commodity reached a peak of Rs. 8,619 crore showing a rise of 310.4 percent over 1990-91. In 1997-98, cotton yarn exported was valued at Rs. 12,094 crore. The exports of cotton yarn rose sharply in 2000-01 and stood at Rs. 16,030 crore but dropped sharply in 2001-02 to Rs. 14,655 crore, a fall of almost 8.5 percent over the previous year.

In 1950-51 and 1960-61, share of this commodity was 18.8 and 10.2 percent respectively. In 1970-71 its share was 9.25 percent which declined to 6.07 percent in 1980-81. In 1990-91, it increased to 6.45 percent and further to 8.5 percent in 1994-95. In 1997-98, this share further increased to 9.5 percent. In 2000-01 and 2001-02, its share stood at 7.9 and 7.0 percent respectively.

Though our production has increased a lot in the past resulting in a boost in the export of this commodity, more consistent and continuous efforts are still required in this direction.

Ready-made Garments: It has been the single largest net foreign exchange earner after gems and jewellery among all the products in the country's export basket in the last few years. The performance of Indian garments export sector shows how an efficiently managed labour intensive sector can be transformed into a profitable foreign exchange earner. Exports of readymade garments have taken place with very little import content. Garment production is carried out largely without modern technology and automation because it is reserved for the small scale sector. The garment manufacturing and export activities in India are mainly located in Delhi, Mumbai, Chennai, Tirupur, Bangalore, Jaipur and Ludhiana. The bulk of India exports are to the USA and the EU (70 percent) and to Australia, Canada and Norway. The garment export sector has centred around an extensive subcontracting system which made use of power loom fabrics and second hand machinery.

The foreign exchange earnings from ready-made garments was Rs. 1 crore in 1960-61. Prior to 1960-61 there was virtually no export of readymade garments from India. It grew to Rs. 29 crore in 1970-71 and there was a tremendous increase in the export of this commodity by 1980-81. In 1980-81, it increased to Rs. 550 crore. From Rs. 550 crore in 1980-81, exports of ready-made garments increased to Rs. 4,012 crore in

1990-91 registering a growth rate of 629 percent over the previous decade. In 1995-96, Rs. 12,295 crore worth of ready-made garments were exported showing a growth of 206 percent over 1990-91. In 1997-98, Rs. 14,032 crore worth of garments were exported, showing a marginal rise of 14 percent over mid-nineties. In 1998-99 a total of Rs. 20,649 crore worth of readymade garments were exported which rose to Rs. 25,478 in 2000-01 but declined to Rs. 23,877 crore in 2001-02, a fall of Rs. 1,601 crore.

Within manufactured goods, the share of this commodity has grown both in size and share continuously and consistently over a period of five decades. In 1960-61, ready-made garments represented 0.16 percent of the total exports of our country. After a decade, i.e. in 1970-71, the share of this commodity group increased to 2 percent. In 1980-81, however, there was a steep rise in the share of this group, it rose to 8.19 percent. It further rose to 12.32 percent in 1990-91 and remained almost constant at 12 percent in 1994-95. In 1997-98 and 1998-99, ready-made garments had a share of 11.1 percent and 13.41 percent respectively. This share stood at 13.14 percent in 1999-2000 but has been declining since then to 12.5 percent in 2000-01 and further to 11.4 percent in 2001-02.

Major markets for readymade garments are Germany, the UK, France, Russia and Japan. Exports to both these markets have shot up considerably. The reasons for this is a renewed consumer preference for cotton garments in the developed countries. This seems to have revived the world trade in cotton garments. Moreover, there was a world-wide shortage of cotton after 1986 which inflated the price of cotton garments traded in the international market. Cotton is the fabric base for more than 70 percent of the garments exported from India, and so we have obviously capitalized on these circumstances. Secondly, the availability of more levels in bilateral agreements under the MFA has given a boost to exports in restrained countries. In 1987, the USA increased its base level quota for India by 17 percent and again by another 18 percent in 1988. The EU increased its quota allocations to India by 15 percent in 1987 and by 28 percent in 1989. And finally, Indian garment exports have evidently benefited from some of the government measures announced in recent years to help the export sector, which include inter alia, duty drawbacks, advance licensing and the provision of cash compensatory support.

Efforts should be made to explore new and competitive markets where demand for our product is high. More stress should be laid on quality, production at low cost and aggressive marketing so that our products are sold in existing as well as new markets.

The item-wise composition of Indian garment exports also reveals that there has always been a fairly high degree of concentration in terms of items of exports. Woven clothing has always comprised more than 70 percent of India's clothing exports. And within this category the specific item which has dominated the market that comes under the heading "women's outerwear non-knit". Women's woven outerwear includes dresses, skirts and blouses. Even within these items, clothing based on cotton fabrics have accounted for virtually all the exports. Another significant item which has also been the mainstay of our garment exports are men's shirts made of cotton. It may therefore be concluded that both in terms of items and in terms of the fibre base Indian garment exports are not sufficiently diverse in nature. The high item concentration in India's garment exports shows that we have relied rather heavily on a small range of items.

Given the highly volatile nature of demand in the international market such lack of diversification is not conducive for garment exports in the long run. When viewed in this context the current boom in garment exports should not give rise to complacency. Moreover, the heavy reliance on pure cotton as the fabric base points to another underlying weakness in our garment trade. It also explains why our garment exports have not been able to penetrate new markets in a big way and have remained confined to the US and the EU. The pure cotton garments which form the bulk of our garment exports are popular only in the rich countries. Indian garment exporters have been encouraged to explore markets in non-quota countries owing to the stringent upper limits on exports to the restrained countries. But tapping these non-quota countries in effect implies making in-roads into the markets of the developing economies like Africa, West Asia and Latin America.

Leather and Leather Manufactures: Since partition India's traditional exports of raw hides and skins had greatly fallen, exports have since consisted mainly of leather and leather manufactures. In 1950-51, leather and leather manufactures worth Rs. 35.4 crore were exported. This declined to Rs. 28 crore in 1960-61. The main factors affecting exports of this commodity were the use of outmoded equipment and machinery employed in the processing and manufacturing sector. In 1970-71, Rs. 80 crore worth of leather and leather manufactures were exported which increased substantially to Rs. 390 crore in 1980-81 showing a rise of 387.5 percent over its previous decade.

In 1990-91, foreign exchange earnings through the exports of leather and its manufactures was Rs. 2,600 crore which registered a growth of 566.66 percent over 1980-

81. In midnineties, i.e. in 1995-96, the value of leather goods exported doubled to Rs. 5,790 crore. In 1997-98, there was a marginal decline in the export of this value. It came down to Rs. 5,461 crore. There has been a consistent rise in the value of exports of this group since 1999-2000 when it stood at Rs. 6,890 crore and raised further to touch Rs. 8,914 crore and Rs. 9110 crore in 2000-01 and 2001-02 respectively.

The share of leather and leather manufactures stood at 7.98 percent in 1990-91. However, in 1995-96, there was again a fall in the share of this commodity which came down to 5.44 percent. In 1997-98 and 1998-99, leather and its manufactures including footwear had a share of 4.3 percent and 4.18 percent respectively. In 2001-2002 the share stood at 2.8 percent similar to last year's share.

Major markets for this commodity are Italy, the UK, Germany and France. India faces stiff competition from countries of European Union like Italy, Spain, Portugal, Germany, the UK and France which have a strong supply base.

There is also a possibility that countries like Spain, Portugal and Italy might try to expand their share of finished leather goods in the EU market. This could make the competition for India in the leather goods more severe; but it could also throw up opportunities for supply of finished leather goods to feed the expanding leather industry of the Union. The nature of Union's new GSP regime (1995-2004) will also influence further prospects of India's exports of leather and leather goods in Europe.

In view of competition from developed countries, proper steps must be taken to boost the exports of this commodity. Improvement in the quality of leather and efficiency in the leather industry is a must. The products should also be diversified after extensive marketing research in export markets to suit consumer's preference.

Gems and Jewellery: Gems and Jewellery comprising diamonds, coloured gemstones, gold jewellery, pearls non-gold jewellery, synthetic stones and costume/fashion jewelry constitute a growth potential export sector. Exports of all items of this product group taken together have increased phenomenally since the liberalization measures. The product group of gems and jewellery makes significant contribution to India's overall export earnings and remains in the forefront of foreign exchange earners.

Diamonds account for 80 to 93 percent share in the total exports of gems & jewellery. In fact cut and polished diamonds remain the single largest item which has made significant contribution to the export effort of this sector. The other two main items, though distantly following diamonds, are gold jewellery and coloured gemstones together

accounting for 6 to 18 percent share of the total exports of gems & jewellery. In 1950-51, gems and jewellery worth less than Rs. 1 crore were exported which increased a little to Rs. 1 crore in 1960-61. Foreign exchange earnings through the export of this commodity was Rs. 618 crore in 1980-81 which indicated a tremendous growth of 1273 percent over its previous decade. In 1990-91 the value of this commodity exported was Rs. 5247 crore registering a growth of 749 percent over its previous decade.

In 1995-96, gems and jewellery exported were valued at Rs. 17,644 crore which depicted a rise of 236 percent over its value in 1990-91. In 1997-98, gems and jewellery rose only by 8 percent over its value in 1995-96, the value being Rs. 19,014 crore. In 1999-2000 a total of Rs. 32716 crore worth of gems and jewellery were exported which rose to Rs. 33,734 crore and Rs. 34,845 crore in 2000-01 and 2001-02 respectively.

The share of this commodity has increased consistently and continuously over a period of 50 years. In 1960-61 its share only 0.26 percent. After a span of ten years, i.e. in 1970-71 it grew to 2.93 percent. Its share rose sharply to 9.21 percent in 1980-81. In 1990-91, the share of gems and jewellery rose to 16.11 percent and in mid-nineties, i.e. 1994-95, it further increased to 17.1 percent. In 1997-98 and 1998-99, its share was 15.1 and 16.03 percent respectively. This share increased to 16.6 percent in 2000-01 and 16.7 percent in 2001-02 respectively.

India's major trading partner is Belgium, from where huge amount of rough diamonds are imported and huge quantity of polished and cut diamonds, precious and semi-precious stones are exported. Besides Belgium other markets are France, the USA, Germany and the UK. The US continues to be the single largest market for Indian gems & jewellery. Indian jewellery exports to the US no longer qualify for import tax exemption under General Selling Preference, an incentive offered by the US to stimulate trade with developing countries. Under the Competitive Needs Limit of the United States GSP (General Selling Preference) law, a country can lose GSP eligibility on an item if imports of that particular item from the country exceed 50 percent of the total US import of that item or if imports of the item from the country exceed \$ 101 million in 1992. Exporters were informed that their goods would be subjected to an import tax of 6.5 percent.

Machinery and Electronic Goods: Electronics and computer software have emerged as the major sectors in India's export basket in recent years. The Ministry of Commerce, Government of India, has identified these sectors as thrust areas for exports. Machinery

and electronic goods had acquired the status of major constituent of our exports only during mid-1970s, due to rapid industrialization in the country. Our exports of this commodity were almost negligible during the first and second five year plans. Table 3.5 shows that in 1960-61, our exports of this commodity group were valued at Rs. 22 crore only which rapidly raised to Rs. 198 crore in 1970-71.

Electronics is the fastest growing sector of the Indian industry. Exports of electronic goods (including computer software) have increased at a steady pace over the years. The growth of the software industry in India is closely associated with the growth of the computer industry itself. With the implementation of the computer policy by the Government of India, the software industry has been growing rapidly in terms of revenue as well as the range of products introduced in the market. On the export front, software has been earning more foreign exchange for the country as compared to hardware, during the past few years.

The potential for software exports is tremendous and it is this factor which makes software exports a thrust area. India's export performance in strategic electronics has been quite erratic. The growth of electronic components industry has been largely dependent on the consumer electronics industry which buys large quantities of electronic components of all types.

In 1980-81, export of this commodity group was valued at Rs. 827 crore, showing a rise of 317.6 percent over its previous decade. In 1990-91, foreign exchange earnings from this commodity were valued at Rs. 3,872 crore, showing a tremendous rise by 368 percent over 1980-81. In mid 1990s, i.e. in 1995-96, Rs. 14,578 crore worth of these goods were exported which showed a rise of 276.4 percent over 1990-91. In 1997-98, foreign exchanges earned from the export of these goods were valued at Rs. 18,354 crore showing a marginal rise of 26 percent over 1995-96.

In 1960-61, their share was only 3.42 percent of the total export; it grew remarkably to 12.80 percent in 1970-71. The share remained almost constant at 12.32 percent in 1980-81. In the early 1990s, its share declined marginally to 11.89 percent in 1990-91. In mid 1990s, i.e. in 1994-95, its share was 13.7 percent and in 1998-99, it further declined to 10.52 percent. Its share has fallen considerably and stood at 2.7 percent in 2001-02.

Despite the rapid rise in our exports share of the machinery and electronic goods is still negligible. The world market in this commodity is dominated by the developed

countries of the world. In the context of price, quality after-sale service and credit facilities, the markets are highly competitive. In this respect, it is very difficult for us to compete with the giant producers with well established trade connections throughout the world.

India, with a low industrial base in relation to the advanced countries, can hope to have a good share of these markets, provided it takes into account some important developments taking place around the world especially within EU which is our largest partner. These are: (a) harmonization of standards (b) use of improved technology (c) increased volumes of production and automation (d) improved buying power of European firms (e) introduction of product liability causes (f) economics of scale and improved productivity and (g) vacation of industrial areas due to environmental reasons and rising labour costs.

3.6: A Directional Analysis: Indian Exports

Since the inception of planning era, India's foreign trade has made new strides in different directions. New markets have been explored, new items have been added to the export-basket and traditional commodities like tea, leather, jute, manufactures etc. have been marketed with more value added to them.

India's foreign trade with her trading partners has not only grown at differential rates but also been determined by different forces, some of which have been common to all regions and countries and other have been unique to particular regions.

The region-wise data about the direction of Indian Export during 1981 to 1990 and 1991-2000, have been presented in the table 3.7 and table 3.8.

Table 3.7: Direction of Indian Exports During Pre-reformed Period (1980-1981 to 1089-90)
(In Rs. Crores)

Year	Total	Total	EEC/EU	N. America	Asia & Oceania	OPEC	Eastern Europe	Developing Countries
1980-81	6711	3126	1447	806	708	745	1486	1286
		46.58	21.56	12.01	10.55	11.10	22.14	19.16
1981-82	7806	3427	1442	988	824	940	1975	1232
		43.90	18.47	12.66	10.55	12.04	25.30	15.78
1982-83	8803	3558	1470	959	946	820	2025	1068
		14.42	16.70	10.89	10.75	9.32	23.00	12.03
1983-84	9771	4367	1756	1487	938	881	1610	1563
		44.69	17.97	15.22	9.60	9.02	16.48	16.00
1984-85	11744	5272	2002	1897	1190	944	22442	1441
		44.89	17.05	16.15	10.13	8.04	19.10	12.27
1985-86	10895	5532	1929	2106	1304	835	2294	1463
		50.78	17.71	19.33	11.97	7.66	21.05	13.43
1986-87	12452	7004	2736	2469	1501	774	2390	1871
		56.25	21.97	19.83	12.05	6.21	19.19	15.02
1987-88	15674	18838	3934	3086	1889	962	3594	2204
		56.39	25.10	19.69	11.61	6.14	22.93	14.06
1988-89	20232	11301	4926	3925	2450	1193	3356	3315
		58.86	24.25	19.40	12.11	5.90	16.59	16.38
1989-90	27681	14743	6906	4739	3099	1841	5336	4246
		53.26	24.95	17.12	11.20	6.65	19.28	15.34
Average	1377	9717	2855	2246	1478	993	261	1969
		51.00	21.67	17.04	11.22	7.53	19.97	14.94

Source: Government of India, Economic Survey (various issues)

Note: Figures in dark refer percentages to total

*Excluding members of OPEC

Table 3.8: Direction of Indian Exports During Post-reformed Period (1990-91 to 1999-2000)
(In Rs.Crores)

Year	Total	Total	EEC/EU	N. America	Asia & Ocenia	OPEC	Eastern Europe	Developing Countries
1990-91	32553	17428	8951	5077	3401	1831	5819	3377
		53.54	27.50	15.60	10.45	5.62	17.88	10.37
1991-92	44042	25482	11899	7666	3401	3850	4814	7101
		57.86	27.02	17.41	7.72	8.74	10.93	16.12
1992-93	53688	32467	15196	10737	4897	5180	2259	11177
		60.47	28.30	20.00	9.12	9.65	4.21	20.82
1993-94	69751	39672	18182	13256	6336	7473	2657	16902
		56.88	26.07	19.00	9.08	10.71	3.81	24.23
1994-95	82674	48491	22075	16602	7623	7631	2983	19731
		58.65	26.70	20.08	9.22	9.23	3.61	23.87
1995-96	106353	59223	28157	19487	8870	10300	4092	27324
		55.68	26.47	18.32	8.34	9.68	3.85	25.69
1996-97	118817	66035	29660	24525	8722	11475	3484	32224
		55.68	24.96	20.64	7.34	9.66	2.93	27.12
1997-98	130101	72418	32840	26892	8952	13138	4204	34079
		55.66	25.24	20.67	6.88	10.10	3.23	26.19
1998-99	139752	824104	36361	32279	8818	14992	3911	34218
		58.75	26.02	23.10	6.13	10.73	2.77	24.48
1999-00	159561	91461	39445	38886	9330	16910	4894	40906
		57.32	24.72	24.72	5.85	10.60	3.07	25.64
Average	93729	53478	24277	19541	7035	9278	3902	22704
		57.05	25.90	20.85	7.50	9.90	4.16	24.22

Source: Government of India, Economic Survey (various issues)

Note: Figures in dark refer percentage to total.

*Excluding members of OPEC

The fast changes which have taken place at the international level during 1980s and 1990s are not comparable with the past. Disintegration of erstwhile U.S.S.R. during the late 1980s has brought significant changes in the direction of Indian exports and imports. The data reveals that the combined share of OECD countries has consistently increased from 46.58 percent in 1980-81 to 50.78 percent in 1985-86 to 55.68 percent in 1995-96, which further increased to 57.32 percent in 1999-2000. If we compare averages of period I and period II, we find that India's exports to OECD countries have increased from 51 percent to 57 percent. Similarly If we compare to average share of Indian exports to European Union (EU) and North America, it has increased from 21.67 percent and

17.04 percent of 25.90 percent and 20.85 percent respectively during these two periods. However the share of Indian exports to Asia and Oceania has declined from 11.22 percent to 7.50 percent during the period I and II the share of OPEC countries in India's exports has decreased from 11.10 percent in 1980-81 to 7.66 percent in 1985-86, to 5.62 percent in 1990-91, which increased to 9.68 percent in 1995-96 and further increased to 10.60 percent in 1999-00. So the data reveals fluctuations during the period under study. If we compare average period I to period II. We find that the share of OPEC Countries has increased from 7.43 percent to 9.90 percent.

Another significant change in the destination pattern is a sharp decline in the share of East European countries, of which former U.S.S.R constituted a major part. The share of East Europe declined very sharply from 22.14 percent in 1980-81 to 3.85 percent in 1995-96 and 3.07 percent in 1999-00. If we compare average of period I and period II, it has declined from 19.97 percent to 4.16 percent i.e. an average decline of about $\frac{3}{4}$ of the total share.

One of the reasons cited for this is the transition of economic structure of East European Countries. Until the early 1990s a major share of India's trade with these countries was governed by rupee-double agreement. The termination of rupee trade and the economic turmoil faced by them resulted in sharp decline in India's trade with these countries. This decline in trade has affected India's agricultural and allied exports more as compared to manufactured exports. However, data reveals a sharp increase in the share of developing countries which compensated the loss suffered on India's export on an average has increase from 14.94 percent during period I to 24.27 percent in period II; though the increase is not consistent.

As in 2001-02, India's major export destination were European Union (EU) which accounted for nearly 21.8 percent of India's total exports, USA which accounted for 19.4 percent of India's exports to it, OPEC accounting for 12 percent of India's exports. Together, these countries account for nearly 65 percent of India's total exports to the world.

The Post-war world has been marked by the emergence of various trade blocs. The concept of trade bloc can be best described as a group of countries, coming together and allowing, within the group, complete freedom in the movement of goods, capital and services. Interestingly, West Europe, went a step further by announcing that in their 1992

programmed, these would not only be complete freedom in the movement of goods, capital and services, but also people, thus popularizing the term four freedoms.

The rate of growth exports to EU was highest during 1991-92 and after then this was going declining. Rate of growth of exports of North America was highest (51%) during the 1991-92 and after then it declined gradually and during the 1997-98, growth rate was only of 9.7%. India's exports to Asia and Oceania were not increased at a constant rate. Rate of growth of exports to other OECD countries was highest (34%) during 1991-92 and after 1991-92, the rate of growth of exports was decreasing and during the 1995-96 there was sudden declined of 20.7% in the rate of growth of exports. India exports a large amount to the OPEC. Rate of growth of annual average of exports to the OPEC was 31% during the 1990s. During the 1991-92, we observed a high rate of growth of exports (110%) to the OPEC. During the 1999-2000 exports to OPEC were increased eight and half times of the period of 1990-91.

India's export to Europe has declined sharply. During the 1990s, the annual average rate of growth of exports to Eastern Europe was only of 3.9%. On the other hand India's export to SAARC has increased and other Asian Developing Countries imports from India a large amount. Exports to Latin American Countries have increased about 1717% during the 1999-2000 comparing with 1990-91.

It will be clear from the table those largest partners of India to which India exports at a largest amount in value terms were EU, North America Asia & Oceania.

In respect of total exports, in value terms, the share to EU, Asia & Oceania, other OECD countries and Eastern Europe has declined during the 1990s. On the other hand, in respect of total exports, in value terms, the share to the North America, OPEC, SAARC, other Asian Developing Counties and Latin American Countries has increased gradually during the 1990s. Table 3.7 indicates that EU as in 1998-99 was India's largest trading partner accounting for 26.92 percent of its total exports to the world. USA emerged as the second largest trading partner accounting for 21.78 percent of largest exports of the world followed by OPEC and Japan which had a share of 10.55 percent and 5.0 percent respectively in 1998-99. Asia is also one of the largest trading partners of our country and had accounted for 21 percent of India's exports to the world in 1997-98. This figure has rather changed and in 2001-02 Asia stood as India's largest trading partner with a 22.4 percent share followed by EU at 21.8, USA at 19.4 and OPEC at 12.0 percent share.

Exports to European Union (EU)

International trade relations constitute the single most important plank of the EU's external relations. After having established common external customs tariff, as a corollary to its internal customs union, the European Union embarked on the road of a common trade policy. The European Union had the road of a common trade policy. The European Union had taken its place on the world stage as a trading partner in its own right and constituted, as a matter of fact, one of the largest trading blocks in the world.

Foreign trade makes an important contribution to economic growth in both the European Union and India and bilateral trade has been the bedrock of the Indo-EU relationship. Over the years, the European Union has emerged as India's largest trading partner, with a share of 26.92 percent of its global exports in 1998-99 and almost 25 percent of its imports coming from EU. This share has however seen a fall over the last 6-7 years with the share pegged at 21.8 percent in 2001-2002. Over the past decade, EU has become a major destination for India's products and a source of supplies for the critical imports including important raw materials and investment goods.

Table 3.9: Direction of India's Trade with World Exports

Country	1990-91	1995-96	1996-97	1999-2000	2000-01	2001-02
I. OECD of which	17428	59223	64587	91461	107238	103120
a. EU, of which :	8951	28157	29352	39445	46120	45524
i. Belgium	1259	3748	3825	5926	6718	6632
ii. France	766	2499	2525	3888	4660	4507
iii. Germany	2549	6614	6627	7533	8715	8529
iv. Netherlands	644	2572	2989	3838	4021	4120
v. U. K.	2128	6726	7208	8817	10502	10306
b. North America	5077	19487	24470	38886	45509	43391
i. Canada	281	1022	1235	2506	2999	2789
ii. U.S.A.	4797	18466	23234	36380	42510	40602
c. Other OECD, of which :	3401	8870	8654	9330	10341	9494
i. Australia	321	1257	1356	1748	1854	1994
ii. Japan	3039	7411	7068	7303	8198	7204
II. OPEC, of which:	1831	10300	11365	16910	22223	25016
i. Iran	141	514	689	659	1037	1207
ii. Iraq	44	2	8	214	384	986
iii. Kuwait	74	453	546	669	1037	1207
III. Eastern Europe of which:	5819	4092	3366	4894	4964	4859
i. G.D.R.	-	-	-	-	-	-
ii. Romania	96	100	69	54	56	54
iii. Russia	5255	3496	2766	4108	4061	3807
IV. Other LDC's, of which :	5465	27324	31648	40906	54282	58614
i. Africa	668	3584	3438	4841	6489	7796
ii. Asia	4665	22613	26641	33391	43566	46803
iii. Latin America and Caribbean	132	1127	1569	2674	4228	4015
V. Others	2010	5414	5659	5390	14864	17410
Total	32553	106353	117525	159561	203571	209018

Source: *Government of India, Economic Survey, 2002-2003*

India's exports to EU can be classified into following broad categories:

agricultural and marine products, leather and its products including footwear, chemicals and allied products, textile and garments, jute and coir products, gems and jewellery, engineering and electronic goods.

Nearly 70 percent of India's exports to EU comprise of commodities which include leather, tea, diamonds, cotton fabrics, tobacco, precious and semi-precious stones and coffee. The residual exports of about 30 percent comprising engineering goods,

chemicals and software form a dynamic area which still has a wider scope for exploitation. Detailed analysis shows that India's major partners in EU have been UK, Germany, Belgium, Italy, the Netherlands and France.

Austria, Finland, Sweden, Greece, Luxembourg, Portugal, Denmark, and Ireland are small partners. Share of Luxembourg till 1992-93 had almost been negligible. Share of Portugal, Greece, and Ireland was even less than 1 percent of India's total exports to EU. In 1998-99, these countries together accounted for 5.9 percent of total exports to EU, showing a remarkable increase from 1992-93. Share of Spain has risen from 1.98 percent in 1983-84 to 6.85 percent in 1998-99.

United Kingdom: As a market for Indian products, the UK was a close second to Germany till 1994-95. From 1995-96 onwards, it is the number one trading partner with India. India's major exports to the UK include ready-made garments (16 percent), Leather (12.14 percent), gems and jewellery (7.41 percent), Engineering goods (15.18 percent) in 1998-99. Agricultural goods in 1998-99 accounted for 13 percent of total goods exported.

UK's share of value and quantity in India's total exports of it to world was the highest (13 percent in 1997-98). India's exports to tobacco etc. to world in 1997-98 was Rs. 1058.51 crore and UK's share was Rs. 138.12 crore (a share of 13 percent). Exports of leather and its manufactures including footwear to world by India was Rs. 4294 crore and to UK it was Rs. 519.59 crore (a share of 12 percent) in 1997-98. Exports of readymade garments to world amounted to Rs. 11,720 crore and to UK alone it was Rs. 863 crore (a share of 7.36 percent). UK's share in the export of cashew-kernels was 6.6 percent, rice 5.5 percent, cotton 4 percent, spices 6 percent and engineering goods 6 percent in 1997-98.

Germany: India's major exports to Germany include Ready-made garments, leather and its manufactures, carpets and other floor coverings. Together, their share accounted for more than 45 percent of total exports to EU. Exports to Germany increased from Rs. 20 crore in 1960-61 to Rs. 108.34 crore in 1973-74 and to Rs. 473 crore in 1983-84 representing more than a four-fold rise over its previous decade. The exports to Germany further shot up spectacularly to Rs. 1,773 crore in 1989-90 before the German Unification.

After the unification in 1990, exports increased from Rs. 2749 crore in 1990-91 to Rs. 7929 crore in 1998-99 registering a growth of 211 percent. Thereafter, they jumped to Rs. 8,715 crore in 2000-01 and declined marginally to Rs. 8,529 in 2001-02.

Germany had witnessed eco-politico resurgence as the country entered into the 1990s. The unification of the Germany and the integration of the European market in 1992 are having profound effects on its economy. For Germany, the Single European Market by the end of 1992 could not have been better timed. The market took shape at a time when Germany had emerged as a big technological power, following all pervasive modernization and technological upgradation and some of the other EU member nations were lagging behind in meeting the tough competition given by the German firms.

Moreover, German unification has brought tremendous opportunities for India. Unification has led to steep rise in German imports as the German industry alone cannot possibly supply all the goods needed for the reconstruction of the economy. India should avail of these opportunities in the present as well as future. India should also be cautious from East Asia, a region which has been maintaining its exports at a commendable rate despite various restrictions. The four NIC-South Korea, Taiwan, Hong Kong and Singapore-account for nearly 40 percent of German exports to the South, South-East and Far East Asia combined excluding Japan. The share of these four economic in the German market is about 53 percent of the total imports from this region.

India's position among the East Asian nations, in the early 1990s, was fifth or sixth with regard to trade with Germany, China, Taiwan, South Korea and Hong Kong scored over India in exporting to Germany in aggregate, as also selected commodities of India's interest such as garments, leather product and engineering goods. Garments and other finished products have become one major category now in India's exports to Germany.

Indo-German trade has to be seen in a broader perspective viewed on a holistic frame. The new targets of the trade relationship cannot be achieved merely in terms of quantitative parameters. A new qualitative element will have to be introduced with a time frame as reference point.

Belgium: From mid 1990s, Belgium has become an important source of destination for exports. In 1993-94, Belgium had a share of 14.56 percent in the total goods exported to the European Union. In 1997-98 and 1998-99, its share was 13.9 and 14.32 percent respectively in the total goods exported to the world is also very significant. From a small share of 1.4 percent in 1960-61, it rose to 2.4 percent in 1980-81 and to 6.3 percent in 1990-91. In 1997-98, its share was 6.1 percent which indicates that Belgium has emerged as an important destination for exports by India. After this the share of Belgium has

declined and has been hovering around 3.5 percent since the last 3-4 years and stood at 3.2 percent in 2001-02. The value of goods exported to Belgium in 2001-02 stood at Rs. 6632 crore.

France: France is also a major market in the EU for India's exports, especially for ready-made garments, leather and its articles and footwear, products of chemical and engineering goods. Together, they constituted 54 percent of total goods exported to France in 1998-99. Exports to France stood at Rs. 9 crore in 1960-61 which grew to Rs. 18 crore in 1970-71 rising by 100 percent over its previous decade. Export to France have risen sharply since 1990-91 from Rs. 766 in that year to Rs. 4,507 crore in 2001-02, i.e. registering a growth of over 600 percent in the last decade which is phenomenal.

Italy: Italy is fast emerging as an important market for Indian exports, especially for textiles and garments and leather and its manufactures. Ready-made garments constituted 10 percent of total exports by India to Italy in 1998-99. Among other important export items, leather and its manufactures, engineering goods and chemical materials had a share 15 percent, 6 percent and 8 percent respectively in 1998-99.

India's exports to Italy had risen from Rs. 69.32 crore in 1973-74 to Rs. 157.5 crore in 1981-82 and from Rs. 139.7 crore in 1982-83 to Rs. 4,996 crore in 1998-99 rising almost 35 times over the period.

The Netherlands: India's export to Netherlands has been steadily growing over the years. In 1980-81, goods exported to Netherlands stood at a figure of Rs. 152 crore which increased to Rs. 644 crore in 1990-91 rising by 324 percent over its previous decade. Exports continued to rise from mid 1990s. In 1998-99, Rs. 3285 crore worth of goods were exported to Netherlands. This figure has since then risen to Rs. 4,120 crore in 2001-02.

Major exports to Netherlands include apparel, cashew-kernels, products of chemicals, especially pharmaceuticals, leather and its manufactures and engineering goods. Together, they constituted 51 percent of the total goods exported to Netherlands in 1998-99.

India has been facing increasing difficulty in gaining market access due to the protectionist policies of the Union in areas like clothing, where India has comparative advantage. On the other hand, import liberalization in India has provided a fast growing market for European industry. Besides, composition of India's exports to the Union is not well diversified. Leather and its products, textiles and its articles and pearls and precious

stones account for two-thirds of India's total exports to the Union. India must try to diversify its exports to the Union of commodities which have a greater demand.

India must particularly concentrate on markets like Denmark, Germany, Italy, UK and Spain intra-Union imports are relatively of lesser magnitude. In certain products like apparel and clothing, knitted and crocheted goods, carpets, tobacco, animal feeds, pearls and precious and semi-precious stones, India has better price and competitiveness with non-Union suppliers.

Since the services sector has expanded, Indian banks must enter the area of investment banking so as to utilize the increasing opportunities. India can also gain a foothold in foreign travel, which is likely to increase in the years to come.

Certain recommendations like promoting Indian presence in the EU, promoting co-operation on standards, encouraging technology, absorption and undertaking aggressive marketing should be adopted by Indian industries to enhance their exports to the Union. Hence, it can be concluded that there is a high potential of increasing trade relations with the European Union especially after the Unification.

Exports of USA: USA covers more than 80 percent, on an average, of India's exports to the dollar area and is also a major importer of India's total exports. At the initial stages of planned development, India having mainly traditional goods to offer, the principal items of exports were jute manufactures, tea, spices, cashew kernels, cotton textiles, metal ores, minerals etc. Jute manufactures accounted for the highest proportion of exports to USA, in 1950-51, followed by spices, their respective shares being 30.5 percent and 13.3 percent of India's total exports to USA.

The pattern of trade with USA has undergone gradual changes, over time and the traditional items of exports dwindled in importance yielding place to a variety of non-traditional products such as precious stones, works of art, floor coverings etc. whose proportion in total exports to USA increased whose proportion in total exports to USA increased over the years. To deal with the sophisticated market as that of USA, changes in the composition of trade were essential. Hence, new products, manufactured and semi-manufactured such as jewellery, handicrafts, food products, footwear, engineering goods etc. made for gradual diversification of exports.

From a share of 14.7 percent in 1990-91 in India's total exports to world, USA's share increased to 19.1 percent in 1994-95 and 19.5 percent in 1997-98. In 1998-99, USA accounted for 21.78 percent share of total goods exported by India to the world. In 1999-

200 this share further improved to 22.8 percent but saw a fall of 1.9 in 2000-01 to 20.9 percent. The September 11 attack on the US and the consequent downturn in the economy coupled with hostile action in Afghanistan and Iraq this year should have some bearing on the exports to US in the current year. The value of total goods exported to US stood at Rs. 40,602 crore in 2001-02.

Exports to OPEC: India had relatively old trade connections with Iran, Iraq, Indonesia, Kuwait, Negeria and Saudi Arabia. In the 1950s, it was India's turn to be placed in a more advantageous position where it had more to offer to these countries than to buy from them. A host of commodities such as tea, coffee, spices, hides and skins, cotton textiles and jute manufactures were exported to these countries could offer were imported such as mineral oil and its related products, fruits, precious and semi-precious stones.

Of the goods exported, tea, jute manufactures cotton textiles and spices made up for 17 percent, 10 percent, 17 percent, and 3 percent, respectively of India's total exports to OPEC. On imports sides, oil imports accounted for nearly 80 percent of total imports. The balance of trade was, in general, surplus for India.

Nineties have proved to be very important for India's foreign trade in OPEC. Our trade with OPEC has improved substantially and OPEC's share in Indian exports has increased from 6 percent in 1990-91 to 11 percent in 1998-99. Share of imports from OPEC have risen from 16 percent in 1998-99 23 percent in 1997-98 and falling to 19 percent in 1998-99. Major goods exported to OPEC in 1998-99 included agricultural products (31 percent), chemicals (8.2 percent), engineering goods (17 percent), RMG (14 percent). Goods imported from OPEC include capital goods, raw material and intermediaries. Together, they had a share of 77 percent in total imports in 1998-99 from OPEC. The total goods exported to OPEC in 2001-02 stood at Rs. 25016 crore.

Exports to Japan: Japan has been an important trading partner of India since the 1950s. In 1980-81 and 1990-91, share of exports of Japan was 8.9 percent and 9.3 percent respectively whereas imports had a share of 6.0 percent and 7.5 percent in the same years. In mid 1990s, exports to Japan had a share of 7.7 percent and imports from Japan also had a share of 7.1 percent. In 1998-99, the share of exports to Japan feels down to 4.9 percent. This share has been falling since then and was pegged at 4.0 percent in 2000-01 and further down to 3.4 percent in 2001-02.

India's foreign trade with her trading partners has not only grown at differential rates but ahs also been determined by different forces, some of which have been common

to all regions and countries and others have been unique to particular regions. One of the common factors have been the structural changes which have occurred in the Indian economy and have taken her far in the way of economic development and made her capable of offering various manufactured goods and more her capable of offering various manufactured goods and more of value-added items which were previously absent in her export basket.

EU's preferential treatment for associate countries or African, Caribbean or Pacific (A.C.P.) countries under the Lome Conventions and imposition of quotas and tariffs have also made matters difficult for Indian exports. India's exports have improved since seventies in relation to earlier decades but the growth in exports has not matched the growth in imports. There is ample scope to raise exports further. Opportunities for export growth may be located in those trade regions with which India's trade has not registered any substantial rise as yet. Trade with countries of developing ESCAP, Latin American countries and African countries are cases in point.

India's exports have been dominated by the developed countries which have resorted to increased protectionism since the 1970s and have even offered prices lower than those of other countries. Though exports cannot always flow to those countries which offer higher prices, nevertheless, it may be worthwhile to ensure that a major proportion of exports go to those countries which are in a position to give better prices. This is expected to have a beneficial impact on foreign exchange earnings.

For India to become a leading exporter in the world trade it will have to achieve at least 2 percent share of world exports by the year 2020. Based on the past trend in world trade and new developments in global economic scenario envisaged over the next few years, aggregate world exports are likely to cross 25,000 billion dollars by 2020. India's exports should, therefore, exceed 500 billion dollars to accomplish this vision. To many, this target might appear to be too ambitious to achieve and one might dismiss it as an exercise in wishful thinking. However, while formulating this vision, let us not be guided by undue conservatism or pessimism. Let us not under-estimate the great export potential of our agricultural sector as well as our service sector. It should not be surprising if our IT exports alone cross 150 billion dollar mark by the year 2020. What is required is to formulate a highly focused strategy and its rigorous implementation to achieve the desired export thrust.

3.7: Our Imports

Most of the developing countries are in the initial stages of economic development. Some of them remain totally undeveloped. These countries need to develop the necessary infrastructure, transport, and telecommunication system, basic and key industries. Besides, they need to modernize their agricultural sector to assure continuous supply of food to the people and raw materials to the industry. For these purpose, developing countries should import modern technology, industrial equipments and other necessary items. The commodity composition of Indian imports during 1981 to 1990 and 1991 to 2000 has been presented in table- 3.10, 3.11, 3.12, 3.13. The data reveal that the import of petroleum oil and lubricants showed wide fluctuations reflecting the movements in the international prices. The share of petroleum oil and lubricants was very high i.e. 42.25 percent in 1980-81 which declined sharply to 25.38 percent in 1985-86. However, oil imports decreased from 25.04 percent in 1990-91 to 20.69 percent in 1994-95 followed by 15.09 percent in 1998-99. Again its share increased sharply to 25.39 percent during 1999-2000. If we compare period I (Pre-reformed Period) average to the average of Period II (Post reformed Period) then we will find that its share has declined from 24.51 percent to 22.22 percent. The average annual share of food and live animals has increased from 2.49 percent during period I to 3.89 percent during period II. The average annual share of chemicals and fertilizers has decreased from 11.43 percent to 10.79 percent during post reformed over pre-reformed period.

Table 3.10: Composition of Indian Imports during Pre-reformed Period (1980-81 to 1989-90)
(In Rs.Crores)

Year	Total	Raw Material & Intermediate				Capital Goods		
		Manufactures				Total	Non Electric Mach. Apparatus & appliances	Electric Mach. Apparatus & appliances
		Food & Live animals	Petroleum Oil & Lubricants	Fertilizers & steel	Iron & Steel			
1980-81	12549	380 3.05	5264 42.25	1490 11.96	852 6.84	1910 15.33	1089 8.74	260 2.09
1981-82	13608	690 5.07	5189 38.13	1513 11.12	1203 8.82	2716 15.40	1349 10.07	326 2.40
1982-83	14293	638 4.46	5622 39.33	1148 8.03	1203 8.42	2716 19.00	1439 10.07	494 3.46
1983-84	15832	1018 6.43	4832 30.52	1526 10.27	1048 6.62	3322 20.98	2051 12.95	675 4.26
1984-85	17134	695 4.06	5409 31.57	2771 16.17	941 5.49	3168 18.49	1928 11.25	730 4.26
1985-86	19658	854 4.34	4989 25.38	3256 16.56	1395 7.10	4285 21.80	2593 13.19	923 4.70
1986-87	20096	679 3.38	2811 13.99	1982 14.84	1556 7.74	6488 32.28	4263 21.21	1212 6.03
1987-88	22244	865 3.89	4043 18.18	2334 10.49	1320 5.93	6566 29.52	2826 12.70	1093 4.91
1988-89	28235	14943 5.29	4358 15.43	3744 13.26	1933 6.85	6955 24.64	2872 10.17	1563 5.54
1989-90	35416	1046 2.95	6274 17.72	4233 11.95	2305 6.51	8831 24.94	3532 9.97	1921 5.42
Average	19906	495 2.49	4879 24.51	2276 11.43	1376 6.91	1634 23.28	2394 12.03	920 4.62

Source: Government of India. Economic Survey, (various issues)

Note: Figures in dark refer percentages to total

Table 3.11: Index for composition of Indian Import During Pre-reformed Period (1980-81 to 1989-90)

Year	Total	Food & live animals	Raw Material & Intermediate Manufactures			Capital Goods	
			Petroleum oil & lubricants	Fertilizers & chemicals	Iron & steel	Non Electric Mach apparatus & appliances	Electric Mach apparatus & appliances
1980-81	100	100	100	100	100	100	100
1981-82	108.43	181.58	98.58	101.54	141.19	127.55	125.38
1982-83	113.89	167.89	106.80	76.78	141.19	132.14	190.00
1983-84	126.16	267.89	91.79	102.42	123.00	188.34	259.62
1984-85	136.54	182.89	102.75	185.97	110.44	177.04	280.77
1985-86	156.67	224.73	94.789	218.52	159.51	238.11	355.00
1986-87	160.01	178.68	53.40	133.02	182.26	262.90	466.15
1987-88	177.26	227.63	76.80	156.64	154.92	259.50	420.38
1988-89	224.99	393.23	82.79	251.28	226.88	263.73	601.15
1989-90	282.22	275.26	119.19	284.09	270.54	324.33	738.84

Note: Computed from Economic Survey data

Source: Government of India, Economics Survey, (various issues)

Table 3.12: Composition of Indian Imports During Post-reformed Period (1990-91 to 1999-2000) (In Rs. Crores)

Year	Total	Food & Live animals	Raw Material & Intermediate Manufactures			Total	Capital Goods	
			Petroleum Oil & Lubricants	Fertilizers & steel	Iron & Steel		Non Electric Mach. Apparatus & appliances	Electric Mach. Apparatus & appliances
1990-91	43193	1112 2.57	10816 25.04	4696 10.87	2113 4.89	10466 24.23	4240 9.82	1702 3.94
1991-92	47851	1032 2.16	13127 27.43	6417 13.41	1970 4.12	10436 21.81	4020 8.40	1553 3.25
1992-93	63375	2187 3.45	17142 27.05	8104 12.79	2254 3.56	10839 17.10	4788 7.56	588 0.93
1993-94	73101	2043 2.79	18046 24.69	8411 11.51	2494 3.41	16663 22.79	6388 8.74	640 0.88
1994-95	89971	4651 5.17	18613 20.69	11784 13.10	3653 4.06	19990 22.22	9236 10.27	789 0.88
1995-96	122678	2838 2.31	25173 20.52	16754 11.28	3838 3.94	28289 23.06	14371 11.71	1292 1.05
1996-97	138920	3313 2.38	35629 25.65	15674 11.28	6866 4.94	29868 21.50	14801 10.65	1155 0.83
1997-98	154176	5513 3.57	30341 19.68	15136 9.82	5281 3.43	28016 18.17	15029 9.75	1406 0.91
1998-99	178352	10619 5.95	26919 15.09	15818 8.87	4474 2.51	32304 18.11	14267 8.00	1771 0.99
1999-00	21526	10473 4.87	54649 25.39	18463 8.58	3832 1.78	23556 10.94	17301 8.04	1897 0.88
Average	112685	4378 3.89	25046 22.22	12156 10.79	3778 3.35	21043 18.67	10444 9.27	1279 1.13

Source: Government of India, Economic Survey, (various issues)

Note: Figures in dark refer percentages to total

Table 3.13: Index for Composition of Indian Import During Post-reformed Period (1990-91 to 1999-00)

Year	Total	Food & live animals	Raw Material & Intermediate Manufactures			Capital Goods	
			Petroleum oil & lubricants	Fertilizer s & chemical s	Iron & steel	Non Electric Match apparatus & appliances	Electric Mach apparatus & appliances
1990-91	344.19	292.63	205.47	315.17	248.00	389.34	654.61
1991-92	381.31	271.57	249.37	430.67	321.22	369.15	597.30
1992-93	505.02	575.52	325.64	543.89	264.55	439.67	226.15
1993-94	582.52	537.63	342.62	564.49	292.72	586.59	246.15
1994-95	717.13	1223.95	353.59	790.87	428.87	848.12	303.46
1995-96	2840.22	746.84	477.94	1123.82	567.84	1319.65	496.92
1996-97	1107.02	869.55	676.84	1051.94	805.86	1359.14	540.76
1997-98	3507.30	1450.78	376.39	1015.38	619.83	1380.07	681.15
1998-99	1421.24	2794.47	511.37	1061.61	525.11	1310.10	729.61
1999-00	171.53	2756.05	1038.16	1239.12	449.76	1588.10	854.21

Source: Government of India, Economics Survey (various issues)

Note: Computed from Economic Survey data

The share of iron and steel was 6.84 percent in 1980-81 which increased sharply to 8.84 percent in 1981-82 but declined to 5.49 Percent in 1984-85 increased in 1986-87 which declined to 4.89 percent in 1990-91 and thereafter consistently declined over the period and came down to a mere 1.78 percent in 1990-2000. Its average annual share has declined from 6.91 percent to 3.35 percent in period II. The share of capital goods in imports increased up to mid 1980s from 15.33 percent in 1980-81 to 32.29 percent in 1986-87 and declined sharply to 10.94 percent in 1999-2000. The annual average share of capital goods has decreased from 23.28 percent during period I to 18.67 percent in period II.

The detailed analysis of capital goods shows that the share of its constituents i.e., non-electric machinery apparatus & appliances decreased from 12.03 percent during period I to 9.27 percent during the period II. Electric machinery, apparatus and appliances also shows downward trend with an annual average from 4.62 percent during period I to 1.13 percent during the period II. The decline share of capital goods in imports during the post-reformed period is an indicator of stagnation in industrial development process.

The average annual level of India's total imports during period II valued at Rs. 112685 crore was higher by 46.61 percent than that recorded during period I which was

valued at Rs. 19906 crore. During these two periods the imports of food and live animals, petroleum lubricants and capital goods recorded a high growth rate of 78.37 percent and 35.41 percent respectively.

The imports of iron & steel, electric machinery apparatus & appliances show lower growth rate of 17.46 percent and 3.90 percent respectively. However, fertilizers and chemicals and non electric machinery apparatus & appliances showed annual growth of 43.27 percent and 33.63 percent during period II over period I. The changes in structure of Indian imports as discussed above are reflective of the influence of three factors, namely movement in international prices, changes in trade policy and pattern of domestic demand.

3.8: Direction of India's Imports

On the import front largest partners of India from which India imports at a larger amount in value terms are EU, OPEC, some Asian developing countries and North America. India's imports from EU were not increased with steady growth. There was high rate of growth during the 1992-93, 1995-96 and 1998-99 and there was low rate of growth during the 1994-95, 1997-98 and 1999-2000. The direction of Indian imports during 1981 to 1990 and 1991-2000 and region-wise data have been presented in tables 3.13 and 3.14. Data reveal that while there has been a sharp increase in the relative share of the developing countries, the share of industrialized countries has declined during the Post-reformed period as compared to the pre-reformed period. The increase in the share of developing countries is largely on account of the increase in the imports from the newly industrialized countries in the South East Asia. The share of OECD countries in India's imports has increased from 43.87 percent to 50.51 percent from Period I to Period II. This could be due to the fact that share of EU in India's imports has sharply increased from 21.02 percent in 1980-81 to 32.59 percent in 1986-87. On the other hand the share of North America, Asia and Oceania comparing Australia and Japan has remained stable during the two periods, around 10 percent and 9 percent respectively with minor fluctuations. The relative share of countries belonging to the OPEC group increased from 14.97 percent during Pre-reformed to 21.60 percent during the post reformed period. The share of OPEC group in India's imports reached the peak level of 27.79 percent in 1980-81 which has declined sharply to 9.70 percent in 1986-87 but increased to 16.30 percent and 26.01 percent in 1989-90.

Table 3.14: Directions of Indian Imports during Pre-reformed Period (1980-81 to 1989-90)
(In Rs.Crores)

Year	Total	Total	EEC/EU	N. America	Asia & Oceania	OPEC	Eastern Europe	Developing Countries
1980-81	12549	5740	2629	1815	932	3488	1296	1966
		45.74	21.02	14.46	7.43	27.9	10.33	15.67
1981-82	13608	6378	3149	1728	1175	3770	1507	1911
		46.87	23.14	12.70	8.63	27.70	11.07	14.04
1982-83	14293	6812	3422	1664	1439	3899	1717	1800
		47.66	23.94	11.64	10.17	7.2	12.01	12.60
1983-84	15832	8186	3962	2174	1842	3225	1965	2414
		51.70	25.02	13.73	11.63	20.37	12.41	15.25
1984-85	17134	8344	4221	2200	1471	3326	2152	3243
		48.70	24.63	12.84	8.58	19.41	12.56	18.93
1985-86	19658	10527	5236	2515	2257	3420	2169	3466
		53.55	26.62	12.79	11.48	17.40	11.03	17.76
1986-87	20096	12903	9549	2258	3041	1950	1537	3696
		64.20	32.59	11.24	15.13	9.70	7.65	18.40
1987-88	22244	12380	7400	2300	2680	2953	2126	3800
		55.66	32.59	10.34	20.05	13.27	9.56	17.08
1988-89	28235	16059	9005	3668	3387	3779	1947	5260
		56.88	31.89	13.00	12.00	13.38	6.90	18.63
1989-90	35416	20224	11736	4713	3775	5074	2990	6031
		57.10	33.14	13.31	10.66	14.33	8.44	17.03
Average	19906	8733	458	2032	1822	2981	1642	3359
		43.87	22.88	10.21	9.15	14.97	8.25	16.87

Source: Government of India, Economic Survey, (various issues)

Note: Figures in dark refer percentages to total

Table 3.15: Direction of Indian Import During Post-reformed and Period (1990-91 to 1999-00)
(In Rs.Crores)

Year	Total	Total	EEC/EU	N. America	Asia & Oceania	OPEC	Eastern Europe	Developing Countries
1990-91	43193	23310	12680	5804	4826	7041	3377	7965
		53.97	29.36	13.44	11.17	16.30	7.82	18.44
1991-92	47851	25936	12680	5804	4988	9414	2444	7427
		54.21	26.50	12.13	10.42	19.67	5.11	15.49
1992-93	63375	35534	19124	17393	6739	13690	1606	9628
		56.07	30.17	11.66	10.63	21.60	2.53	15.19
1993-94	73101	41036	21962	9319	7075	16377	1288	11246
		56.14	30.04	12.75	9.68	22.40	1.76	15.38
1994-95	89971	46256	22339	9957	9517	19003	2129	17960
		51.41	24.83	11.07	10.58	21.12	2.37	19.85
1995-96	122678	62254	32691	14191	11881	25568	4217	22509
		52.38	26.35	11.57	9.68	20.86	3.44	18.35
1996-97	138920	69081	35202	14197	12724	16135	313	23179
		49.73	25.34	10.22	9.16	26.01	2.25	16.68
1997-98	154176	79293	37719	15378	13804	35007	2880	27589
		51.43	24.26	9.97	8.95	22.70	1.87	17.89
1998-99	178352	9954	43274	16937	16824	32711	2864	37360
		51.56	24.26	9.50	9.43	18.34	1.60	21.10
1999-00	125236	92521	45556	17076	16099	48394	3345	44585
		42.99	21.16	7.93	7.48	22.48	1.55	20.71
Average	112685	56919	28323	11606	10448	24336	2728	20962
		50.51	25.13	10.30	9.27	21.60	2.42	18.60

Source: Government of India, Economic Survey, (various issues)

Note: Figures in dark refer percentages to total

This rise was mainly due to Gulf War and fixing of quotas by OPEC group of countries. However this share has declined to 22.48 percent in 1999-2000. The data show that there is a sharp decline in the share of East European countries in India's imports also. Their average share has declined from 8.25 percent in period I to 2.42 percent in period II. The share of former USSR and other East European countries in India's imports was as high as 10.33 percent in 1980-81 which increased 11.03 percent in 1985-86 but decreased to 7.82 percent in 1990-91 and further to 1.55 percent in 1999-2000, with absolute decline in the imports from most of the countries belonging to this group. On the other hand, the share of developing countries has gradually increased from 18.67 percent during pre-reformed period to 18.60 percent in post-reformed period.

3.9: Exports and Imports as Percentage of GDP

The composition and direction of exports and imports of India, it is interesting to compare average imports and import growth rate, trade balance, percentage change and their contribution to the gross domestic product of India. The relevant data have been presented in table 3.15 and table 3.16.

We have to measure the real impact of the changing structure and direction of Indian exports and imports on the balance of trade. Analysis of data shows. That the exports grew at an average annual rate of 61.10 percent during post-reformed period whereas imports grew at an average rate of 46.59 percent. This shows an impressive performance of exports as compared to imports. But when we take into account the rupee value of imports and exports, the position of exports is still not impressive as compared to imports. The data reveal that annual exports were to the tune of Rs. 13175 crore during pre-reformed whereas imports were to the tune of Rs. 19898 crore which led to a negative trade balance of (-) Rs. 6723 crore. Again average annual exports increased to Rs. 93683 crore during period II and average annual imports increased to Rs. 112609 crore which also shows a negative trade balance to the tune of (-) Rs. 18927 crore on an average. So negative trade balance has increased by Rs. 12204 crores from period I to period II, with a average growth rate of 18.15 percent.

Table 3.16: Exports and Imports as percentage of GDP During Pre-reformed Period (1980-81 to 1989-90)

Year	Exports (Rs. Crore)	Imports (Rs. Crore)	Trade balance	Exports (percent of GDP)	Imports (percent of GDP)	Exports (percent change)	Imports (percent change)
1980-81	6711	12549	-5838	4.65	8.69	4.57	37.25
1981-82	7806	13608	-5802	4.61	8.03	16.32	8.44
1982-83	8803	14293	-5490	4.66	7.57	12.77	5.03
1983-84	9771	15831	-6060	4.45	7.21	11.00	10.76
1984-85	11744	17134	-5390	4.76	6.94	20.19	8.23
1985-86	10895	19658	-8763	3.89	7.01	-7.23	14.73
1986-87	12452	20096	-7644	3.97	6.41	14.29	2.23
1987-88	15674	22244	-6570	4.41	6.26	25.88	10.69
1988-89	20231	28235	-8004	4.78	6.67	29.07	26.93
1989-90	27658	35328	-7670	5.67	7.24	36.71	25.21
Average	13175	19898	-6723	4.6	7.2	16.36	14.94

Source: CMIE July 2001

Figure 3.1: Exports and Imports During Pre-reformed Period

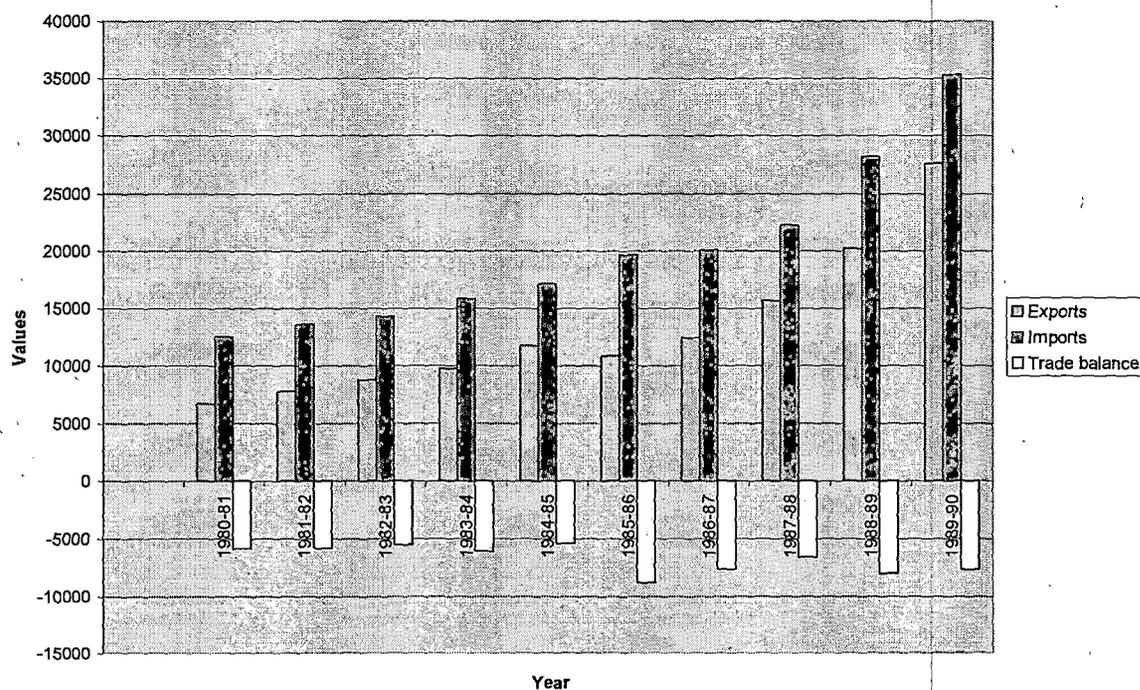
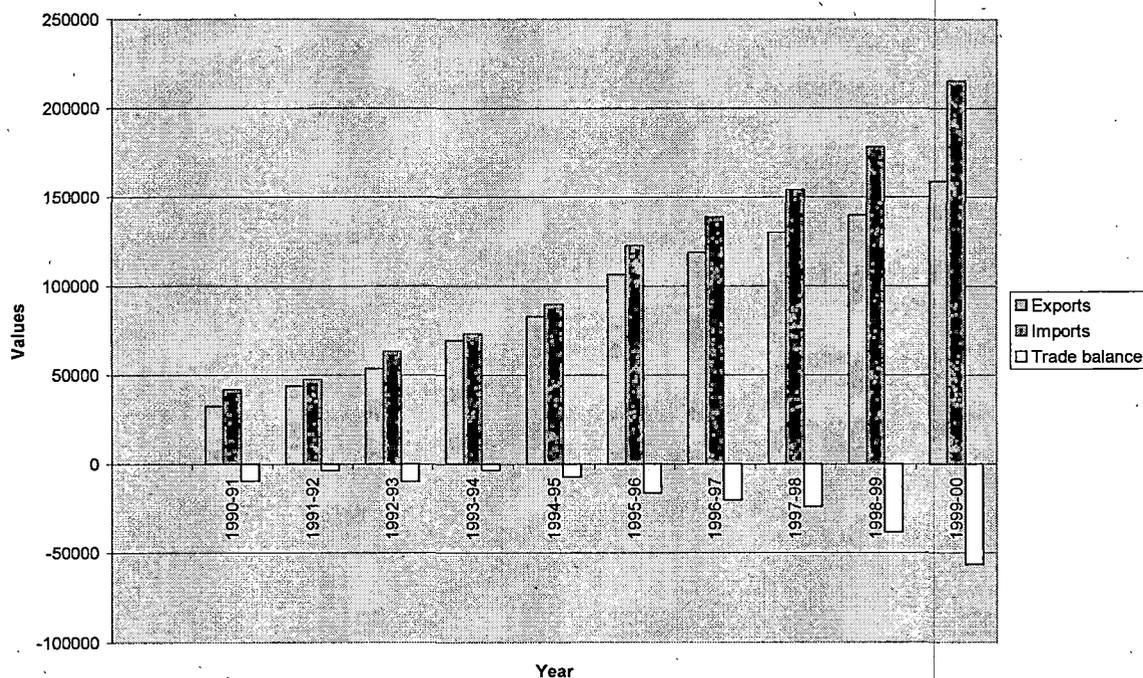


Table 3.17: Exports and Imports as percentage of GDP During Post-reformed Period (1990-91 to 1999-00)

Year	Exports (Rs. Crore)	Imports (Rs. Crore)	Trade balance	-Exports (percent of GDP)	Imports (percent of GDP)	Exports (percent change)	Imports (percent change)
1990-91	32558	42095	-9537	5.72	7.40	17.72	19.16
1991-92	44042	47841	-3799	6.74	7.32	35.27	13.65
1992-93	53688	63375	-9686	7.18	8.48	21.90	32.47
1993-94	69649	73177	-3428	8.12	8.52	29.91	15.57
1994-95	82673	89971	-7297	8.19	8.91	18.53	22.95
1995-96	106352	122678	-16326	9.00	10.38	28.64	36.65
1996-97	118817	138920	-20103	8.2	10.20	11.72	11.34
1997-98	130101	154176	-24076	8.58	10.17	9.50	10.98
1998-99	139752	178332	-38580	7.93	10.12	7.42	15.67
1999-00	159095	215529	-56433	8.13	11.01	13.84	20.86
Average	93683	112609	-18927	7.8	9.3	19.45	20.09

Source: CMIE July 2001

Figure 3.2 : Exports and Imports During Post-reformed Period



Situation has worsened over this period of time. This implies that foreign exchange requirements of the government increased to finance the deficit in merchandise trade during the post-reformed period.

The performance of Indian exports can be seen from another angle by measuring the contribution of foreign trade to the gross domestic product (GDP) during the

respective reformed period. The data reveal that the share of annual average exports as percentage of gross domestic product has increased from 4.6 percent in pre-reformed period to 7.8 percent in post-reformed period which means a net gain of trade 3.5 of percent.

On the other hand, Imports were 7.2 percent of GDP on an annual average basis during the period I which increased to 9.3 percent of GDP during period II with a net gain of 2.1 percent. There was year wise decrease during the mid 80s and again increased in 90s to a peak level of 9 percent in 1995-96, which again decreased to 8.13 percent in 1999-00. On the other hand, imports were 8.69 percent of GDP in 1980-81 which declined up to 1998-89. However it increased consistently afterwards and reached to 11.01 percent of GDP in 1999-00. Analysis of the percentage changes in imports and exports on year to year basis shows an increase in with just one exception of exports in 1985-86 when the percentage change in exports is negative to the tune of (-) 7.23 percent. Exports and Imports on an average grew at the rate of 16 percent and 15 percent respectively during the pre-reforms period in comparison to 19.5 percent and 20 percent respectively in post-reforms period

The above analysis shows that both exports and Imports have increased during the pre and post liberalization periods. However, the rate of growth in imports as compared to exports during the post-liberalization period remained higher which led to higher trade deficit during the post-reform period. In other words, the study reveals that the trade reforms introduced during the 1990s could not narrow down the trade deficit which was one of the main objectives of new economic policy.

3.10: Comparing Indian Exports with World Exports

We have studied, trade in the post-reformed period (Composition of India's foreign trade, Pattern of trade, direction of trade) to understand changes of India's foreign trade position. But the study will be incomplete to understand the economic development by foreign trade unless we compare India's foreign trade with World trade. Now I am going to compare India's foreign trade Position with respect to World trade.

India's share (in percentage) in world's exports in 1971 was 0.61 percent. During 1971-1980, the annual average of India's share in World exports was 0.54 percent. During the early of 1980s India's share in world's exports was not so good. In 1981, this share was only of 0.44 percent and the next year it was 0.53 percent. The annual average of India's share in world's export during 1980s was 0.50 percent whereas during 1991 the

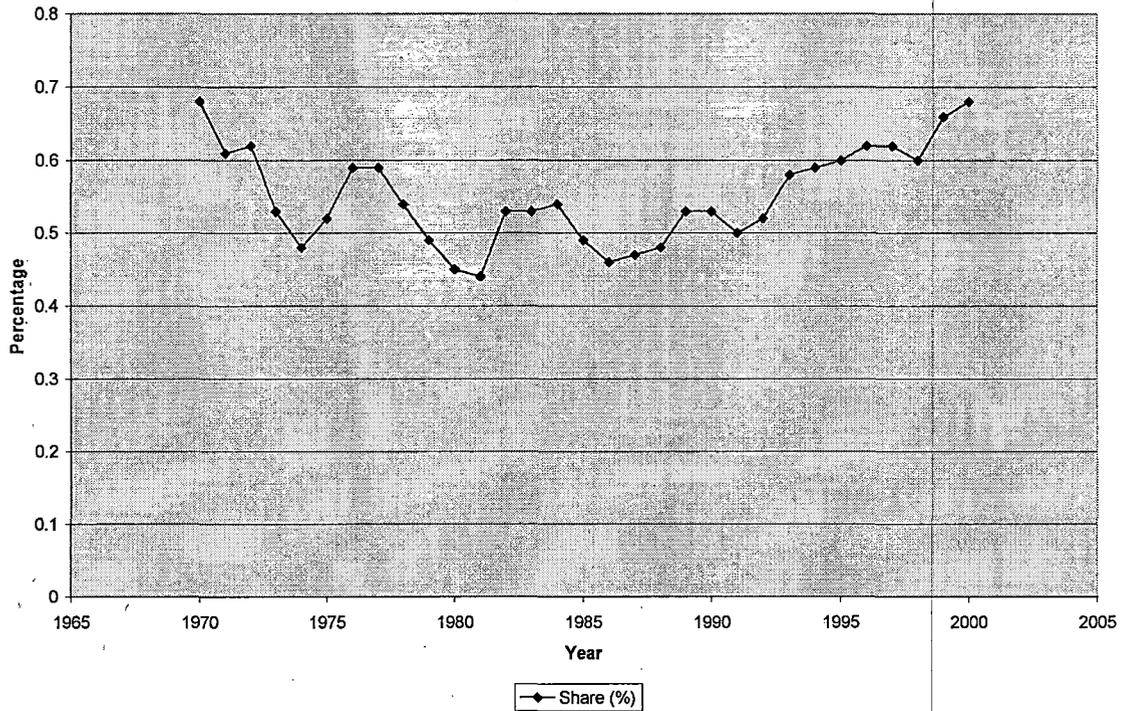
share of India's exports in World's exports was 0.60 percent. So it is clear from table 3.18 that India's share in world export has increased sharply during 1990s. We can also note that India's share in 1992 was 0.52 percent and in 1993 it increased to 0.58 percent and after 1993 India's share was increasing very highly and it became 0.68 percent. India has taken a target to increase her exports at 1% in world exports. So after seeing the trend time of increasing export's share in world exports, we can say that India's export will reach her target very shortly.

Table3.18: India's Share in World Exports

Year	Share (%)	10 years	10 year average
1971	0.61	1971-1980	0.54
1972	0.62		
1973	0.53		
1974	0.48		
1975	0.52		
1976	0.59		
1977	0.59		
1978	0.54		
1979	0.49		
1980	0.45		
1981	0.44	1981-1990	0.50
1982	0.53		
1983	0.53		
1984	0.54		
1985	0.49		
1986	0.46		
1987	0.47		
1988	0.48		
1989	0.53		
1990	0.53		
1991	0.50	1991-2000	0.60
1992	0.52		
1993	0.58		
1994	0.59		
1995	0.60		
1996	0.62		
1997	0.62		
1998	0.60		
1999	0.66		
2000	0.68		

Source: International Trade Statistics Yearbook, United Nations (various years)

Figure 3.3: India's Share in World Exports



3.11 Conclusion

The size of merchandise, as well as services trade, has been increasing steadily in recent years reflecting greater integration of the economy with the rest of the world. India's exports have been dominated by the developed countries which have resorted to increased protectionism since 1970s and have been offered prices lower than those of other countries. The significant changes which have taken place during the post reformed period in regard to the composition and direction of India foreign trade could not contribute positively to narrow down the deficit in the balance of trade. This is the result of a fast growth in Indian import during the post-reformed period. India's import requirements have also changed along with the structural changes and have grown in volume too with different phases of import liberalization at the official level since the year 1990-91. The other common factor has been the growing protectionist tendency of both developed and developing world, which adversely affected growth of India's exports as percent of GDP, was higher as compared to average percentage growth of imports as percent of GDP in post-reformed period. On the other hand, the percentage change in imports was higher in post-reformed period over pre-reformed period. This development is the result of repeated devaluation of Indian rupee and increasing import intensity of

both production and consumption during the post-reformed period. It implies that the increase in the volume of Indian merchandise exports during the post-reformed period was not sufficient to pay for the increased demand for the imports and the loss resulted on account of devaluation / depreciation of Indian rupee during the 1990s. Therefore, we strongly advocate that there is a need to review the foreign trade liberalization policy and sufficient protection measures should be worked out to protect the domestic sector.

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