CHAPTER 1
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This chapter contains an introduction to India's foreign trade and its commodity composition; literature review; objectives and research queries of the study; methodology and chapter planning thereof.

1.1. EXPORT – A THRUST SECTOR:
Perhaps, there is no nation in this globe that does not transact and involve in trade i.e. exports and imports of goods and services. To pay for imports, countries have to earn foreign exchange through exports of goods and services. The rationale behind international trade is backed up by comparative advantage. Hence, all countries do benefit through an open and fair trade policy.

Exports are the major focus of India's trade policy. It is a core sector in economic growth of a country and is important for addressing macro economic issues. In India, as in many other nations, export expansion is widely regarded as a means to attain higher rate of economic growth. Since 1991, a number of measures have been undertaken to correct the 'anti-export biases' of policy regimes. Export performance improved during post 1991 years with the announcement of Export Import Policy 1992-97. The Export-Import (EXIM) Policy announced on March 31, 1992, was the first ever EXIM Policy declared by the Government of India with validity period of five years and it coincided with the Eight Five Year Plan period (1992-97). The EXIM Policy came as a major thrust to accelerate India's exports through restructuring and revamping various export promotion schemes and wide ranging measures for simplification of procedures with a view to make them more transparent and easy to administer. The EXIM Policy focused on the need to allow exporters to concentrate on the manufacturing and marketing of
their products globally in an environment unhindered by discretionary controls and procedural bottlenecks. The policy aims at enabling the industry to enhance its competitiveness in global market and to achieve its full potential in the areas of its strength. The trade policy has impact not only on volume and composition of foreign trade but also on the pattern of investment, direction of development, entrepreneurial and business behaviour, consumption pattern etc. The second five year EXIM Policy (1997-2002) sought to consolidate gains of the previous policy and aimed to further carry forward the process of liberalization, already initiated by the Government of India. The United Progressive Alliance (UPA) Government announced the current foreign trade policy on August 1, 2004 for a period of five years (2004-09) by abandoning the third EXIM Policy of 2002-07 to induce further growth impetus to export. Foreign Trade Policy (FTP) 2004-09 aims at doubling India’s share in global merchandise trade to 1.5% by 2009 within a five-year time frame and using trade policy as an effective instrument of economic growth and employment generation, especially in semi urban and rural areas, with the export strategy relying, inter alia, upon a set of promotional schemes.

India’s trade links with all regions of the world have increased over the years. In view of the importance of external trade, India has taken major initiatives to diversify its exports base and also their destinations. Exports cover over 7,500 commodities to about 190 countries while imports are from about 140 countries of over 6,000 commodities. Exports cover a wide range of items from agricultural and industrial sectors to various handicrafts, handloom, cottage and craft articles. Project exports that include consultancy, civil construction and turnkey contracts have made significant progress in recent years. Computer software exports have also increased significantly and these are mainly exported to the advanced countries. Imports too have increased substantially, bulk of which comprise items like petroleum, petroleum products, fertilizers, precious and semi-precious stones for export production and capital goods, raw materials, consumables and intermediates for industrial production and technological up-gradation.
1.2 INDIA’S FOREIGN TRADE AND COMMODITY COMPOSITION OF EXPORT TRADE:

1.2.1 India’s foreign trade:

The total turnover of foreign trade (exports including re-exports plus imports) has been steadily rising since beginning of the planning era in India. With liberalization, the importance of international trade in India’s economy has grown considerably. In fact, there has been a remarkable spurt in trade relations between India and its trading partners. India’s export performance in post liberalization period has been much better than the pre reform period. India’s share in world export increased from 0.41% in 1991-92 to 0.67% in 2005-06. Table 1.1 shows the export from India that stood at Rs. 27,658 crores in 1989-90 has increased to Rs. 4,54,800 crores by the year 2005-06. It has witnessed more than sixteen-fold in a span of 16 years. Similarly, the import to India which stood at Rs. 35,328 crores in 1989-90 has increased to Rs. 5,90787 crores in 2005-06. Such a commendable performance could be attributed to the favourable international economics environment, the domestic reform undertaken during last few years and the responsiveness of exporters to the market trends. So far as India’s aggregate balance of trade is concerned, India posted deficit in each year.

With more focus on liberalization and trade reforms, the openness of Indian economy is expected to grow further in coming two decades. In addition, the implementations of various World Trade Organisation (WTO) agreements are influencing India’s trade. India’s trade is also influenced by various bilateral / regional preferential / free trade arrangements that have been taken shape in past years. As such, there remains significant potential to further expand these ties.
### Table 1.1

Volume of foreign trade in India.

<table>
<thead>
<tr>
<th>Year</th>
<th>Export (Rs. crores)</th>
<th>Import (Rs. crores)</th>
<th>Trade Balance (Rs. crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989-90</td>
<td>27658</td>
<td>35328</td>
<td>-7670</td>
</tr>
<tr>
<td>1990-91</td>
<td>32558</td>
<td>42095</td>
<td>-9537</td>
</tr>
<tr>
<td>1991-92</td>
<td>44042</td>
<td>47841</td>
<td>-3799</td>
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<tr>
<td>1992-93</td>
<td>53688</td>
<td>63375</td>
<td>-9686</td>
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<td>1993-94</td>
<td>69749</td>
<td>73177</td>
<td>-3428</td>
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<td>1994-95</td>
<td>82673</td>
<td>89971</td>
<td>-7297</td>
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<tr>
<td>1995-96</td>
<td>106352</td>
<td>122678</td>
<td>-16326</td>
</tr>
<tr>
<td>1996-97</td>
<td>118817</td>
<td>138920</td>
<td>-20103</td>
</tr>
<tr>
<td>1997-98</td>
<td>130101</td>
<td>154176</td>
<td>-24076</td>
</tr>
<tr>
<td>1998-99</td>
<td>139752</td>
<td>178332</td>
<td>-38580</td>
</tr>
<tr>
<td>1999-00</td>
<td>159095</td>
<td>215529</td>
<td>-56433</td>
</tr>
<tr>
<td>2000-01</td>
<td>201356</td>
<td>228307</td>
<td>-26950</td>
</tr>
<tr>
<td>2001-02</td>
<td>209018</td>
<td>245200</td>
<td>-36182</td>
</tr>
<tr>
<td>2002-03</td>
<td>255137</td>
<td>297206</td>
<td>-42069</td>
</tr>
<tr>
<td>2003-04</td>
<td>293367</td>
<td>359108</td>
<td>-65741</td>
</tr>
<tr>
<td>2004-05</td>
<td>375340</td>
<td>485439</td>
<td>-110099</td>
</tr>
<tr>
<td>2005-06</td>
<td>454800</td>
<td>590787</td>
<td>-135987</td>
</tr>
</tbody>
</table>

Source: Centre for Monitoring Indian Economy, July 2006 issue.
1.2.2 Commodity composition of export trade:

A composition change has been witnessed in export basket with opening of the economy. The commodity composition of our export basket can be divided into broad categories of minerals, agricultural and allied products, manufactured goods, petroleum products and other commodities. Of all the commodities exported from India, manufactured goods dominate the export basket followed by agricultural and allied products as shown in Table 1.2. The table reveals that the percentage share of manufactured goods in total export from India has been fluctuating and the highest percentage share was exported in 1999-2000 with 80.93%. The top ten items of export in the manufactured goods are gems & jewellery, ready-made garments, textile yarn, fabrics & made-up, leather & Leather manufactures, drugs, pharma & fine chemicals, machinery & instruments, manufactures of metals and rubber manufactured products. The commodity composition in 1991-06 shows that the share of ores and minerals decreased from 5.2% in 1991-92 to 2.62% in 2000-01 but it further increased to 5.29% in 2005-06. In this category of ore and minerals, iron ore is the main constituent and comprises 30.82% of the value. Other items include mica, coal and processed minerals. In case of agriculture and allied products also, there were fluctuations in its share. Infact, its share decreased from 17.9% in 1991-92 to 10.10% in 2004-05. The steady growth items in agriculture and allied products group are marine products, spices, cashew, basmati rice, pluses, sesame and niger seeds, meat preparations and sugar & molasses. Tea, nuts and seeds are items whose export values have actually declined over the same periods. Petroleum products and other commodities also portray a fluctuating trend and its share form of a negligible part of India’s export.
Table 1.2

Commodity Composition of India's Export

(\% share in total)

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Ores &amp; Mineral</td>
<td>5.2</td>
<td>4.0</td>
<td>4.0</td>
<td>3.8</td>
<td>3.7</td>
<td>3.5</td>
<td>3.1</td>
<td>2.69</td>
<td>2.50</td>
<td>2.62</td>
<td>2.68</td>
<td>3.79</td>
<td>3.70</td>
<td>5.29</td>
</tr>
<tr>
<td>Agricultural &amp; allied products</td>
<td>17.9</td>
<td>16.3</td>
<td>18.1</td>
<td>16.1</td>
<td>19.2</td>
<td>20.5</td>
<td>18.8</td>
<td>18.17</td>
<td>15.27</td>
<td>13.55</td>
<td>13.48</td>
<td>12.73</td>
<td>11.80</td>
<td>10.10</td>
</tr>
<tr>
<td>Manufactured Goods</td>
<td>73.6</td>
<td>75.5</td>
<td>74.9</td>
<td>77.4</td>
<td>74.7</td>
<td>73.5</td>
<td>74.8</td>
<td>77.64</td>
<td>80.93</td>
<td>77.90</td>
<td>76.14</td>
<td>76.34</td>
<td>75.96</td>
<td>73.40</td>
</tr>
<tr>
<td>Petroleum &amp; Crude products</td>
<td>0.79</td>
<td>0.80</td>
<td>0.83</td>
<td>0.85</td>
<td>0.80</td>
<td>0.95</td>
<td>1.67</td>
<td>0.27</td>
<td>0.08</td>
<td>4.29</td>
<td>4.84</td>
<td>4.89</td>
<td>5.59</td>
<td>8.57</td>
</tr>
<tr>
<td>Others</td>
<td>2.51</td>
<td>3.40</td>
<td>2.17</td>
<td>1.85</td>
<td>1.60</td>
<td>1.55</td>
<td>1.63</td>
<td>1.23</td>
<td>1.22</td>
<td>1.64</td>
<td>2.68</td>
<td>2.25</td>
<td>2.95</td>
<td>2.64</td>
</tr>
</tbody>
</table>

Source: Self Compilation from Centre for Monitoring Indian Economy, 2005
1.3 NORTH EAST INDIA AS A FOCUS ON TRADE:

The North East India (NEI) consists of the states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura having a common border with foreign nations, namely, Bangladesh, Bhutan, China, Myanmar and Nepal. The NEI shares 2% of the border with mainland of the country and more than 98% is linked with international border. The NEI has an area of 2.62 lakhs square kilometers (7.9% of the country’s total area) and has a population of 39 million (3.8% of all India population, 2001 census). This region is bountifully endowed with bio-diversity, hydro-potential, oil and gas, coal, limestone and other mineral resources. It is rich in forest resources which occupy nearly half of the total area in the region. Forest resources include rubber, cane and bamboo timber, hardwood, medical plants and herbs. There are few industries in NEI where most of them are engaged in manufacturing of food products, wood and wood-based items and non-metallic mineral products. Tea and petroleum are the two important industries and both these industries are playing a vital role in NEI’s economy. The other large and medium-scale industries include cement, paper, sugar, jute, fertilizers and spinning. In medium and small-scale sector plywood, handicraft and handlooms are occupying a significant share. Thus, owing to its richness in forest and mineral resources, handicraft and handlooms, horticultural etc, NEI occupies a very important part as far as the trading is concerned.

1.4 REVIEW OF LITERATURE:

Literature review is a process of involving a collection of literature in the selected area of research in which the researcher has limited experience and critical examination and comparison of them to have better understanding. It also helps the researcher to update with the past data, data sources and results that is useful for future course of research.
A number of studies were carried out to study trade liberalization programmes, increase in volume of foreign trade due to its liberalization and impact of globalization on Indian business environment. The impact of liberalization has been keenly observed and investigated by many researchers. They have analyzed, differentiated, measured and compared it at different levels and different spheres. The literature survey on which the current research work has been based is equally rich and diverse.

**Literature on impact of liberalization on trade reform in general:**

There has been a remarkable acceleration in the process of trade liberalization and globalization from the second half of 1990s. Since 1994, tariff reform has brought all rates down to a minimum level.

Kumar (2001a) pointed out that as a result of the trade liberalization attempted since 1991 maximum tariff rates applicable in India have come down from a peak of 355 percent in 1990-91 to 50.8 percent by the year 1998-99 which will be lowered further in coming years in the context of regional and bilateral preferential trade arrangements as well as future WTO negotiations. Wacziarg and Welch (2003) examined episodes of liberalization and concluded that trade growth is linked robustly to growth and investment. Dollar and Kraay (2004) also focused on liberalization episodes and concluded that for individual countries that underwent recent trade liberalization episodes, expansion of trade translates into rising incomes and falling poverty rates.

**Literature on constraints towards growth in export trade in general:**

Kumar (2001b) found that so far India like other developing countries has responded to implement her commitments with respect to liberalization of their
trade and investment regimes passively. It has not geared itself up for the new emerging global business environment to expand her access to the world market. Banik (2001) identified a set of factors that appeared to be responsible for the decline in India's export growth rate during the post-reform era. The analysis brought out the nature of demand side factors as well as supply side bottlenecks that had constricted the growth of export. He focused on achieving price competitiveness, creating potential demand and removing trade barriers including non-tariff barriers that stood as demand constraints.

**Literature on impact of trade policy:**

Vasudeva (2001) conducted studies on implications of the removal of quantitative restrictions. According to him, there would be dislocations in some of the highly protected sectors. So, the small-scale industry in India must brace itself for the challenges ahead. Paul and Ramanathan (2000), George (2001) and Bhattacharyya (2001) analyzed the impact of EXIM policy on Indian economy and had shown the impediments to foreign trade and globalization process. They examined the nature and extent of external openness of the Indian economy and the impact of paradigm shift in India's economic policy on foreign trade, tariff levels and foreign investment. It has been suggested that there will be a marginal increase in import demand as a consequence of removal of Quantitative Restrictions on imports. Mahanty (2005) articulated that exports of agricultural produce are still a major component of India's export basket but its share in total export has declined over the years. So, he suggested that once the modalities regarding domestic support, export subsidiaries, market access and other operations are worked out, the agreement can come as a bonanza for countries like India, which are still agrarian in nature.
**Literature on role of infrastructure in export performance in general:**

There are evidences that improvements in infrastructure can lead to improvements in export performance. Bougheas, Demetriades and Morgenroth (1999) tried to examine the role of infrastructure in a bilateral trade model and also on transport cost. Their findings predicted that, for a pair of countries for which investment in infrastructure is optimal, a positive relationship between the level of infrastructure and the volume of trade takes place. As a consequence, variations in transport costs across countries may be able to account for differences in their ability to compete in international markets. Furthermore, differences in the volume and quality of infrastructure may be responsible for the differences in transport costs, which in turn may account for differences in competitiveness. As a result, reducing the cost and improving the quality of transport systems improves international market access and therefore prompts an increase in trade. Hummels (1999) also observed the role of infrastructure and estimated that exporters with 1% lower shipping costs will enjoy a 5-8 % higher market share. In terms of regional integration, as stated in IDB (2000), geographical interaction creates flows that do not necessarily circulate freely, but also through infrastructure networks. Infrastructure networks provide the physical support through which flows circulate, but to ensure their successful influence in integration and development, a legal and institutional framework together with efficient infrastructure-related services are needed. Limao and Venables (2001) pointed out that remoteness; poor transport and communication infrastructure isolate countries and limit their participation in international production chains. Improving the channels that facilitate exchange of goods, services and people is a basic element to any strategy for increasing a region's international competitiveness. He further advocated that infrastructure is quantitatively important in determining transport costs. They estimated that poor infrastructure accounts for 40 percent of predicted
transport costs for coastal countries and up to 60 percent for landlocked countries. Chang, Kaltani and Loayza (2005) offered panel evidence that the broad domestic mix of policy, institutions and infrastructure had played an important role in moderating the impact of trade.

**Literature on brand creation activity of India’s export:**

Researches were also undertaken to find out whether there is demand for Indian export on the basis of brand creation activity. Agarwal (2001) concluded that on the export front, India had predominantly been commodity suppliers. The primary motivation had been to increase the foreign funds flow to finance the import bills. As a result, exports were led more by macro economic and financial compulsions rather than being marketing oriented. Therefore, investments on marketing asset like brands got less priority compared to the immediate cash realizations. So, Indian products were pushed more and more towards the faceless unbranded categories of commodities in the world markets. In such a scenario, it is hard to find good case histories of Indian branding successes abroad.

**Literature on hindrance to export trade from NEI:**

There are very few studies undertaken in relation to export trade from NEI. Baruah (2000) reported a large amount of unofficial export of horticultural products, agro-products, mineral products, coal and lime through borders of NEI to its neighbouring countries. He has gathered from informal discussions with the exporters and officials of enforcement agencies that the volume of unofficial exports will be 4 to 5 times higher that the volume of official exports. Dutta (2000a) and Dass (2000) also argued the same fact. Das (2000) advocated through their study that the unofficial exports indicate that there is a hidden demand for export. Since the region's unofficial exports, on a conservative estimate, are 4 times higher than its volume of official export, this indicates the minimum
potential to which the legal export can be raised. Sengupta and Laskar (2000) pointed out that illegal trade which is totally monopolizing the Indo-Bangladesh trade scenario, if not immediately arrested, may prove to be extremely harmful particularly from the future growth prospects of the states bordering Bangladesh. Thomas (2000) revealed that there are competitions among the officials and non-officials trade in carrying the items from Moreh in Manipur to other destination. Singh (2000) advocated that NEI get little benefit out of trade between NEI and Myanmar due to domination of illegal trade that exists in the border. There is a large informal trade existing between India and Bhutan. There has not been any attempt to systematically capture the extent and range of such trade. However, informal trade is mostly in the form of exports from India to Bhutan, argues Rao, Baruah and Das (1997).

**Literature on measures for promotion of export trade from NEI:**

The NEI economy along with Indian economy has become increasingly integrated to the world economy with the removal of quantitative restrictions. Studies were undertaken to put forward measures for promotion of export trade. Bhattacharyya (2000), in his paper identified that in order to boost NEI trade with neighboring countries and to remove illegal trade along the border, government should provide necessary infrastructure facility at different trade routes. Husain (2000) viewed that a strong vigilance has to be maintained against illegal trade, unlawful activities and infiltration in the border without jeopardizing interests of the export trade. Bezbaruah (2000) emphasized that some economic and legal adjustments have to take place on both sides of the bordering nations for healthy and mutually beneficial export trade to grow. Bhuyan (2000), in his paper emphasized that to improve the regional economy and to sustain it, the infrastructure may improve the traditional sector of farming and manufacturing in NEI. Baruah (2000) articulated that in order to take advantage of new liberalized trade regime in the SAARC (South Asian Association for Regional Cooperation) region, all the
border trading states of NEI must take adequate steps to improve the infrastructural facilities. Choudhury (2004) studied the need for infrastructural improvement for enhancement of foreign trade in NEI. He had suggested that this region requires an upgradation in all infrastructures if the objective of activating the export trade in the region is to be achieved. If formal trade is developed, it can be said that on the basis of specialisation based on thrust areas, NEI can emerge as an important exporter to Myanmar, China and other South East Asian countries, claims Gogoi (2004).

Sarma and Goswami (2000) stressed that the development of an effective inland water transport system in the entire Brahmaputra River will facilitate the movement of export goods from Guwahati to Bangladesh at a lesser cost. Dutta (2000b) examined that the exposed Indo-Bangladesh border has crippled the economy of Karimganj, as smuggling plays a dominant role in distorting economic functioning. So, to get rid of the inherent vices of smuggling to a considerable extent, he suggested the introduction of Free Trade Zone.

Mero (2000) pointed out that for enhancement in Indo-Myanmar trade, it is necessary to increase the basket of exchangeable goods and further liberalize bilateral trade. Parasain, (2000), observed that the Government of India and the State Government of Manipur have to realize the importance of Indo-Myanmar trade and initiate various measures for development and promotion of the same. Singh and Goswami (2000) emphasized that to make regularization of illegal trade between NEI and Myanmar and to boost up the legal trade; various preventive, controlling and developmental activities should be undertaken. This will not only help in improving economic activities in the region but also bring the region closer to the main land.

Another study by Taneja (2001) confirmed that unofficial exports to Bhutan from India mainly comprised of yarn, rice, sugar and aluminum goods. This is one
dimension of trade between Bhutan and India which needs to be further explored. A careful examination of factors causing such trade would pave way to bring such a large volume of trade into official channel. This will benefit both the countries.

Bhattacharjee (2000) observed that the Still-well Road which was from Ledo in Assam to Pangsa in Tirap Myanmar border could be opened to facilitate trade access upt to Wauling at Mongyu in China. He further stressed that in order to boost trade with neighbouring countries and to remove illegal trade; a comprehensive trade policy should be designed. This will improve the relationship with neighbouring countries. Lama (2005) pointed out the “Look East” policy of the Union Government and the emerging trends of sub-regional cooperation including Bangladesh, India, Myanmar, Sri Lanka and Thailand Economic Cooperation (BIMSTEC) and South Asia Growth Quadrangle (SAGQ) have in them export trade to neighbouring nations through NEI as the core element. This is where a serious policy intervention is required with a view to harness the comparative advantages of NEI. Bora, Adhikary and Sikidar (2006) argued that if high expectations of the ‘Look East Policy’ unleashing cross border opportunities for trade and tourism is to become a reality, North East must first make an assessment of its own comparative advantage and then plan strategy based on such assessment. Adhikary, Bora and Sikidar (2007) viewed that North East to gain from India’s PTA (Preferential Trade Agreements) and FTA (Free Trade Agreements) with economies of the East, the key variables are transit arrangements, proliferation of trade routes and custom check post, easy visa regime making it possible for traders, businessmen and transport operators to move in and out of the region. For this to be possible would require substantial investments in infrastructure, construction of highways and bridges, re-establishment of rail links and communication facilities.
Literature on opportunities and potentiality of export trade from NEI:

There are few studies undertaken to find out the opportunities and potentiality of trade in NEI. Choudhury (2002) observed that the climate and soil of NEI is best suited for agricultural sector and if proper support and facilities are provided there are great potentialities for exporting processed fruits and vegetables products. Lama (2005) emphasized that unlike the other trades that take place between the Government of India and its neighbouring countries including Myanmar and Bangladesh, Nathu La trade in Sikkim is likely to have a much larger scope both in terms of the coverage of geographical regions and nature of goods and services. This is because of relatively easier accessibility and more developed physical and institutional infrastructures in and around the trading points. Moreover, motorable road are present on both sides of the border. Bora, Adhikary and Sikidar (2007) articulated that the 'Look East Policy' is signifying new initiatives with the country’s Eastern neighbours and Asian nations. The Indo-Asian car really has revived the speculation on vast possibilities of reaping benefits from trade and tourism that could take place between North Eastern states and South-East Asian nations. Khanka (2007) highlighted that NEI has reservoir of resources that promise trade and identified potential items it has to offer for export trade. Besides that he has emphasised that service sector i.e. tourism too hold good promise for trade with neighbouring countries. NEI with its picturesque beauty, turbulent rivers, lofty mountains, snow-clad peaks, wildlife sanctuaries, national parks, biosphere resources thousands of species of exotic flora and fauna provides ample opportunities for tourism development. Adhikary, Bora and Sikidar (2007) viewed that setting up of South Asian Free Trade Agreement (SAFTA) in the SAARC region and the removal of quantitative limits on a large number of products under South Asian Preferential Trade Agreement (SAPTA) agreements augur well for the NEI in terms of large export opportunities.
1.5 **GAP IN THE EXISTING LITERATURE:**

The existing literatures have made remarkable contributions on different aspects of export trading in India including NEI. They have come to conclusions and put forward different suggestions for development of trade in NEI. Yet their contributions have failed to incorporate some of the important issues related to trade potentials. Ongoing studies and researches are concerned on from the pre-colonial period till date but most of which were based on India as a whole. Only a few contributions have been made in NEI perspective. Since export trade does not only reflect enormously enhanced potential for NEI but also accelerates economic development, hence it is crucial. The existing literatures suffers from limitations like non-availability of relevant information from remote areas where there are opportunities and potentials for trade, lack of proper support from the government, environmental problems and engagement in informal / unofficial / illegal trade (smuggling) from remote past.

1.6 **PROPOSED STUDY TO MEET THE GAP:**

This present study has made an endeavor to assess the nature of trading activities beyond the border of NEI and various aspects related to its export promotion. Besides analyzing the present scenario of export from NEI, it has also made an endeavor to study the commodity composition of its exports, trend pattern, structural deficiencies and bottlenecks that regards, etc. Further it has studied the effect of trade reforms and policy level interventions with special reference to NEI. In addition, various issues have been elevated regarding India’s participation as a whole and NEI’s participation in particular in the world trade and its integrity with the globe. The study has made an effort to understand as to whether there exists any basis for trade in terms of compatibility between the resource /
production structure of NEI and demand structure of nations with whom India has significant trade relations. The connotation of export trade for the economy of NEI has been marked and growth / development potentials have been identified.

1.7 SIGNIFICANCE OF THE STUDY:

Export trading has special significance to the economies of NEI, hence the research study would proof to be of immense help to the policy makers and the various states of the NEI. This study has outlined the perceptions of exporters and Government officers about the trade reforms in the planning process in India and the possible impact of export trade on the economy as a whole. Since NEI share its border with neighbouring nations of Bangladesh, Bhutan, China, Myanmar and Nepal, there are enough opportunities in this part of India to participate in world trade. Again, NEI has already established trading relationship with other countries like Germany, Ireland, Japan, Kenya, Netherlands, Pakistan, Singapore, Sri-Lanka, United Arab Emirates (UAE) and United Kingdom (UK). With the help of a mix of judicious policies and programmes, it can form significant trading relationship with its trading partners. Therefore, this research project would help to explore the potentialities of export trade from NEI and certainly help in economic growth of the region as well.
1.8 SUBJECT MATTER OF RESEARCH TO BE INVESTIGATED:

Any study first begins with investigation of a research subject matter. Every researcher must be in a position to clearly spell out the subject which is causing deficiency in a research area. Unless clearly identified, it will not be possible to proceed further to carry out the project.

The research subject for the present study has been identified and defined without any ambiguity. It is put forward below:

1. India adopted economic policy reform programmes in the year 1991 that focused on openness, transparency, liberalisation and globalisation. Export promotion is also one of the principal goals of ongoing economic reforms of India. Several policy-oriented changes have been made for meeting the diverse and changing requirements of the exporters in the country. This study has made an attempt to study the effectiveness of present policy measures undertaken to promote export from NEI.

2. Although there are formal trade agreements between India and its trading partners, the volume and diversification of official trade through notified custom check post of NEI is negligible. Keeping this in view, this paper highlights certain aspects of trade such as volume, composition, trend and comparative advantage. It also assesses the probable impact of 'Look East Policy' on the growth of NEI's trade.

3. Through the present study an effort has been made to identify the geopolitical and economic dimension coupled with social background that add to some of the complexities in export trade and its slow pace.
4. Inadequate and poor infrastructure, ineffective institutional arrangement, lack of market access etc. are some of the major reasons for poor export growth. So, this study makes an endeavour to identify the infrastructural constraints in export from the region.

1.9 OBJECTIVES OF THE STUDY:

The objectives of the study have been identified by taking systematic requirements into account. In the process of identifying objectives of the research, the boundaries of the study, research queries and the problems defined earlier have been taken care of. The study encompasses the following broad objectives:

1. To ascertain the present status of export trade from North East India and to analyse its changing pattern.
2. To document the process of global integration and analyse the impact of liberalization on export trade
3. To trace out the impact of policy level interventions
4. To find out the impediments to export trade from North East India
5. To suggest some pragmatic measures for removal of impediments and promotion of export trade from North East part of India.
1.10 RESEARCH QUERIES:

Research query is a tentative generalization, the validity of which gets self tested during course of the study. It is framed out of the accumulated previous knowledge and observations. A research query, at the initial stage, is an imagination or a mere guess. On the basis of the query, facts are observed and collected and inferences are drawn.

In order to carry out the present study, certain research queries have been formulated which are mentioned as follows. These have been designed to find out the correct explanation of a phenomenon through a meaningful investigation:

1. Whether there is any impact of liberalization on export trade.
2. Whether the trade policies, schemes and programmes are designed to stimulate promotion of export trade.
3. Whether there exist impediments to export trade from NEI.
4. Whether proper infrastructural facilities are available for the promotion of exports trade in the region.

1.11 RESEARCH METHODOLOGY:

Any study, as a whole, lay much emphasis on method than on result. A method is the way of approaching the problem. In order to find out the truth involved in a problem certain steps must be taken in certain order, and the ordered steps are called method. If a research work of such magnitude follows a wrong method, the systematic knowledge or the truth cannot be ultimately traced out. Thus, the use of a correct methodology in a study is essential, in absence of which thoughts cannot be arranged in appropriate manner. As a result, the exact truth can neither be discovered nor be exposed. Keeping this in view, proper research methodology...
has been framed to meet the objectives of the present study. It is based on both primary and secondary sources data.

1.11.1 Sources of data:

There are two types of data available to a researcher, namely primary data and secondary data. Primary data are collected by the researcher himself, whereas secondary data are those data that are collected by earlier researchers and are of some use for the study. In the present study the researcher has made use of both—primary data and secondary data. Since the present study is first of its kind and earlier research works are not available, therefore, the research has mainly relied upon the primary data. The primary data is also used in order to fill the gaps and deficiencies and to update the secondary data. However, the researcher has collected extensive information through secondary sources as well. Best efforts are made to use the secondary data in an effective manner and to understand the frame, components and parameters of the problem undertaken in the study.

Sources of Primary data:

Primary data for this study include interviews and responses collected from exporters engaged in commercial activities of this regions; the officials of different institutions like Directorate General of Foreign Trade (DGFT), Export-Import Bank of India (EXIM Bank), Export Development Councils like Export Promotion Industrial Parks (EPIP), Marine Products Export Development Authority (MPEDA), Spices Export Promotion Council, Agriculture & Processed Food Export Development Authority (APEDA), Software Technology Park (STP); and Custom Check Posts such as Land Customs Stations (LCSs), International Airport and Inland Container Depot (ICD).
Sources of Secondary Data:

There are several sources from which secondary data have been accumulated. They are:

1. Government publications and records like Reserve Bank of India Bulletin, publications of Centre for Monitoring Indian Economy (CMIE) and North Eastern Development Finance Corporation Ltd (NEDFi) Data Bank,
2. General publications e.g. Economic Times and other journals.
3. Public libraries etc.

1.11.2. Composition of Universe:

The universe or population for a study is the specific group of people, firms and activities which form the pivotal point of any research project. The universe (population) of this study has been divided into two groups. The first group comprises of the traders who are engaged in the commercial fields and the second group includes the non-traders i.e. officials of different organisations and institutions (elements) of the eight states (sampling unit) in NEI (extent) during the period of 1991 to 2005 (time).
1.11.3 Size of the Universe:

The official record of DGFT at Guwahati, which the present researcher visited once in the month of April 2006 and again in January 2007, showed that the registered traders i.e. exporters and importers were around 4900. But it has been reported that many of them are negligently perusing business as a result of which they have withdrawn subsequently. From the DGFT authority it has been gathered convincingly that around 500 exporters are actively participating in trading from NEI. Thus this sample forms the total universe.

1.11.4 Sampling Frame:

A sampling frame is a list of general components of the individual units that comprise a defined population. The sampling frame for this research work consists of two groups, described as below.

The first group consists of exporters of NEI, the names of whose are obtained from office of DGFT. The selected exporters have been operating in this region for more than 5-8 years.

The second group consists of officials engaged in administering of export trade from NEI. The experienced gathered by the exporters and Government officials have been ventilated through the responses collected with the help of questionnaire method.
1.11.5 Sample size of primary data collection:

Keeping in view the extent of population selected for the study, it is estimated that the required responses for the study should be 200 samples. Out of these, 150 samples have been chosen from the first group i.e. existing exporters registered during the period 1991 to 2005 which is around 30% of the total population and rest 50 samples are from the second group i.e. officials of different institutions.

1.11.6 Reasons for selecting samples:

The population of the present study is wide spread in entire NEI. So, it is not feasible for census enquiry to study the defined problems. Census method is the collection of data about each and every unit of the population. It is also apparent that for the present study because of severe time, money and geographical constraints, census method is not viable. Therefore, sampling method is the only option left with the researcher. No doubt, the result obtained from the census enquiry is likely to be more reliable than that obtained from a sample enquiry. Utmost care has been taken to determine a correct sample size, which is proportionate to the units in total population.

1.11.7 Sampling technique:

A sampling technique is a mechanism by which the sampling units of a study are selected from sampling frame of the population. The selection of the sampling plan in a study in turn affects the cost, time and the reliability of inferences of the study. The sampling technique can be classified into probability sampling technique and non probability sampling technique. In probability sampling technique, each unit of the population has a probability of being selected as a unit
of the sample. But, in non probability sampling technique, there are instances that certain units of the population will have zero probability of selection because judgment, biases and convenience of the interviewer are considered to be the criteria for selection of sample units of such sampling. However, stratified random sampling technique under probability sampling method has been deemed appropriate for selection of sample for the present study. The purpose of stratification is to increase the efficiency of sampling by dividing a heterogeneous universe of traders and officials in such a way that there is a greater homogeneity within each stratum indicating various customs check post and a marked difference is possible amongst the strata.

In stratified sampling technique, the population is divided into a specified set of strata such that the members within each stratum have similar attributes but the members between strata have dissimilar attributes. The initial stratification has been done according to the traders trading goods through the customs check posts located in different parts of the region and the officials engaged in administration of the exports trade. All the units of a particular custom check post put together to form a stratum. From each stratum, random selection of units has been made and it is kept in mind that for each of the custom check post and the officials, the total size of the sample is covered.

1.11.8 Preparation of questionnaire:

The success of primary survey method depends on the strength of the questionnaire used. A questionnaire consists of a set of well-formulated questions to probe and obtain responses from respondents. Two sets of questionnaire have been designed for two different groups of elements – first group includes the traders who are engaged in commercial fields and second group includes the non-traders i.e. officials of different organisations and institutions for collection of
relevant information from the concerned sample. Maximum care has been taken in formulating the questionnaire so that the required information is collected in an authentic way.

Questionnaire designed for the present research study is in both open-end and close-end form. Close-end questions have alternatives or request specific information and is easier for the respondents to respond. However, open-end questions do not pose alternatives. Such questions give the respondent freedom to comment whatever reply he chooses. They are designed in the questionnaire to collect more first hand information from the designated sources. The two sets of questionnaire have been attached here as Appendix II.

1.11.9 Tools of data analysis:

The data that is collected from field observation needs to be analyzed and interpreted to draw out meaningful conclusions. Analysis is the process of placing the data in an ordered form, combining them with existing information and extracting meaning from them.

In order to testify the objectives mentioned earlier in this chapter, the present researcher has carried forward a few statistical tests namely Cross Tabulation, Percentage, Time Series Analysis, measures of Revealed Comparative Advantage (RCA) and Revealed Symmetric Comparative Advantage (RSCA) and Likert Scale. The process of Cross Tabulation involves placing the collected data into tabular form so that their true meaning can be extracted. Percentage is also a useful tool as it reduces everything to a common base and thereby allows meaningful comparisons to be made. The Time Series Analysis has been adopted in order to estimate variation in the export trade owing to change of time. For the purpose, linear trend by the method of least square has been established. Measures
of Revealed Comparative Advantage (RCA) and Revealed Symmetric Comparative Advantage (RSCA) have been used to help assess a region's export potential. Likert scaling is a bipolar scaling method measuring either positive or negative response to a situation or information collected through questionnaire. It is conducted to drive at meaningful inferences out of the collected information. Moreover, the trend of export has been manifested with a graphical presentation to make it understandable by the interested parties.

The findings of the aforesaid statistical analysis has been incorporated in chapter 4 of this research work.

1.11.10 Inferences:

Inferences are put forward on the basis of analysis and study. The analysis of data after collection yields a set of results either in the form of statistics, identification of significant factors or in the form of answers to the research queries. Inferences are justified as logical process of passing from one proposition to another proposition. Such inferences from research can act as guidelines for framing policies or some changes in the system of study for further upgradation.

1.12 Reference Period of the Study:

The reference period of the study covers time frame from the inception of liberalization to the current time i.e. from 1991 to 2005. The impact of reform measures on overall promotion of export trade with special reference to North East India have been compared with during the aforesaid periodicity of the study.
1.13 LIMITATIONS OF THE STUDY:

This research work cannot be placed in absence of any limitations. Despite best efforts of researcher, the job suffers from certain limitations which are described as follows:

Availability and authenticity of the data both from primary sources and secondary sources couldn't be correctly and accurately established. Moreover, primary data collected through questionnaires has its own limitation.

In case of direct trade from NEI, records of flow of goods are not available. Thus, for any objective analysis, based on empirical data of trade from NEI, one has to bank on only customs information. Moreover, the official trade statistics emanating from different agencies, operating at different levels, lack in comparability. As such, lack of reliable trade statistic has been a major problem for any objective analysis of trade from NEI.

Cost and time factor of the research work is another limitation of the study for which the field survey could not be made intensive.

There remains a possibility of bias of researcher in gathering required information and same is the case with the respondents too. Respondents could not spare a lot for considered answers.

The present research study couldn't embody the changes that have taken place beyond its periodicity.
1.14 CHAPTER PLANNING FOR THE RESEARCH PROGRAMME:

The chapter planning for the proposed research project follows in the under stated manner:

Chapter 1 : Introduction
Chapter 2 : North East India – A Brief Profile
Chapter 3 : Trade Agreements and Export Promotion Measures
Chapter 4 : Analysis and Findings
Chapter 5 : Prospects and Problems of Export Trade from North East India
Chapter 6 : Conclusions and Recommendations
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