We now take up a discussion of export policy. The question is how to make exports serve the needs of development. The peculiar situation here is that while exports could be expected to achieve dynamism only as a result of development, exports have to be pushed up in order to achieve development itself. This points to the importance of an integrated approach to the problem of exports. Viewed from this standpoint the function of export policy is to smoothen the transition to development. But world trade is itself in a state of transition, thus creating fresh problems for the developing countries. The export policy evolved has thus to reconcile these conflicting tendencies.

In part II of the chapter we attempt an analysis of India's export policy under the first three five year plans. In particular we examine the two questions (1) whether the export policy was well-devised, and (2) the extent to which it was integrated with the plan of development. The analysis enables us to derive certain lessons from past experience and leads us to new paths. We stress the point that, situated as India is, a rapid transformation of the character of exports is required, which can be attained only if it keeps pace with a rapid transformation of the economy itself.
In the last chapter we saw that notwithstanding measures of import saving and import-substitution, imports rise fast during a period of development. The financing of these imports becomes a major problem in development. Foreign aid enables a country to import its developmental requirements up to an extent, but in the final analysis it is only through an increase in exports that a country can pay for its increasing imports. The gravity of the situation may be realized from the fact that, while in 1928 the ECAFE region had an export surplus of one billion dollars, in 1938 the surplus was halved and replaced in 1948 by an import surplus of about 400 million dollars. The import surplus was higher by 300 per cent by 1958. On the other hand, the inflow of foreign capital to the developing ECAFE countries has been static since 1958. In fact, as against 1 per cent of national product suggested as aid from the developed nations to the developing nations, the actual figures were 0.81 per cent in 1961 and two thirds of one per cent since 1964. The servicing of these foreign loans also

Thus in the long run exports constitute the better way of financing imports, not only because they do not create foreign exchange liabilities for the future but also because they provide foreign exchange not tied to any one source of supply and enable a country to take full advantage of international competition among its foreign suppliers in respect of quality, cost and period of delivery. The fact that the policy of export promotion itself leads to an increase in the imports of machines, components and materials emphasises the importance of export promotion during a period of development. The developing economies should, therefore, exert their energies to attain a steady increase in exports.

SHORT-TERM FLUCTUATIONS IN EXPORTS: The export problem of the developing economies has its short-term aspect and its long-term aspect and both have important influences on the planning efforts of developing nations. The importance of the short-term aspect arises from the fact that the developing nations can attain growth with stability only through a steady and increasing flow of foreign exchange. But in practice their export earnings have been fluctuating. It has been calculated that between 1948 and 1958 average annual fluctuations in the export earnings of nine ECAFE primary producing countries were

of the order of 14 per cent, while the fluctuations in the volume of export and in export values were of the order of 9 per cent and 12 per cent respectively. But these fluctuations are rarely compensated by fluctuations in import prices, with the result that the real purchasing power of exports has also been fluctuating in proportion to changes in the values of exports. This situation leads to several adverse consequences. Firstly the domestic economy is affected through fluctuations in incomes and expenditures. Secondly, a fall in export earnings reduces the availability of foreign exchange and leads to less imports. The process of development is thus affected. Fluctuations in the prices of raw material exports have a special significance. When their prices rise, importing countries go in for substitutes and even make investments in the production of substitutes. When, later, prices fall the investments made remain and attempts are made to develop the new line of production through protective devices. Thus what starts as a short-term phenomenon leads to long-term consequences. The jute industry falls in this class. This shows how important it is to maintain a stable price level. If, however, export prices still reveal a rising tendency countervailing fiscal measures should be taken promptly to arrest the tendency.

Shifts in both demand and supply are responsible for short-term fluctuations in export earnings. Demand shifts arise from changes in domestic incomes and outputs in the industrial countries which are the main importers of primary products. Fluctuations in production, on the other hand, are almost invariably due to natural factors like floods, droughts etc. This is a strong argument in favour of priority for agricultural reconstruction in the early stages of the process of development.

In the meanwhile, positive measures are required in two directions. Firstly steps should be taken to stabilise foreign exchange resources in the short-run; secondly, measures are required to protect the domestic economy from the adverse consequences of foreign exchange fluctuations.

The main measures suggested to stabilise foreign exchange resources in the short-run are: 1) bi-lateral trade agreements, 2) international commodity agreements, 3) international buffer stocks, and 4) international aid. These may now be taken up in some detail.

1) BI-LATERAL TRADE AGREEMENTS:

Bi-lateral trade agreements aim at achieving stability in exports by fixing quantities and prices of particular export commodities during the period when the agreements are in force. To be really effective the agreements should cover a wide range of commodities and be valid for a fairly long period. In practice, however, these agreements have been valid for comparatively
short periods and prices are fixed on an yearly basis. Thus while the quantum of exports is stabilised for a period, values continue to fluctuate. The main criticism against these agreements, particularly those between the developing countries and East European countries, is that they distort trade patterns through a process of diversion and that the prices paid by the developing countries for imports based on these agreements are often high. This only emphasises the importance of careful negotiations before agreements are signed. It is, however, a fact that through bi-lateral agreements the developing countries have succeeded in pushing the exports of certain commodities with declining demand and secured various essential imports in return. The possibility of utilising this method to the full should therefore be pursued.

2) INTERNATIONAL COMMODITY AGREEMENTS:

International commodity agreements are multilateral in character as they cover a number of countries, but they are usually single commodity agreements. The aim is to fix agreed export quotas for individual countries in order to avoid over-production or over-supply and to maintain prices. Tea, tin and sugar have been subject to such agreements. But, in general only a few export commodities have been covered by such agreements and in most cases they have covered only portions of the world market. Commodity agreements have thus created only a small impression on world trade. One difficulty in enforcing
such agreements is that the interests of consumers and producers often clash with each other. One solution for this is to have agreements for a number of commodities so that a country which makes a concession as a producer of a commodity may get compensated in turn by a concession received as a consumer of another commodity. It is, however, essential that inter-related commodities should also be covered. This is possible only through multiple commodity agreements.

3) **INTERNATIONAL BUFFER STOCKS:**

This method is a variant of commodity agreements and was recommended for adoption as early as in 1951 by a U.N. report. But progress was obstructed by differences among countries over such questions as the fixation of prices, timings of open market operations and the distribution of financial burdens. In 1959, therefore, the G.A.T.T. recommended nationally held buffer stocks to be followed by consultations and coordination by countries regarding their disposal. But the scheme failed to make progress.

4) **INTERNATIONAL SOURCES OF FOREIGN EXCHANGE:**

The three methods discussed above, particularly the second and third have achieved limited success. Commodity

---

agreements and buffer stocks could be of great advantage to several developing countries who compete with each other to sell identical commodities. In fact these methods are beneficial also from the long-term point of view. But due to economic and political rivalries among developing nations, the rigid attitudes based on superior bargaining power adopted by the developed nations and the extreme dependence of the developing nations themselves on the developed nations the methods suggested above do not seem to have much prospects. Bi-lateral agreements with the socialist countries alone have made progress. Efforts should yet be made to make a success of these schemes.

It is in this context that the developing nations' claim for international foreign exchange accommodation during periods of export slumps has to be stressed. The developing nations have small foreign exchange reserves and occasions do arise when even the small reserve all but vanishess. Assistance should, therefore, be available from such bodies as the I.M.F. But the I.M.F. generally imposes stiff terms and conditions including various restrictions on national policies. A more flexible attitude on these matters will be helpful. In view of the fact that the advanced nations dominate international bodies it is essential that the developing nations should act in concert. Recently, proposals have been made for an international insurance fund to assist the developing nations. 8.

Simultaneous with steps to stabilise foreign exchange resources, measures are required to protect the domestic economy from the adverse consequences of fluctuations in foreign exchanges. State monopoly marketing and export taxes are the two measures suggested in this connection.

STATE MONOPOLY MARKETING

State monopoly marketing of the more important export products can contribute much to smoothen the efforts of fluctuations. The profits earned during a period of boom can be used during periods of slumps, both as a supplement to foreign exchange and as price support to the producers. If, however, the price of an export commodity continues to be low in external markets for a very long period the system of state marketing involves heavy financial burdens.

EXPORT TAXES:

Another method of controlling fluctuations is to levy export taxes so that excess purchasing power is siphoned off during booms and utilised during slumps. Export taxes could be really effective as anti-inflationary devices, though adjustments in the rate of tax are not always promptly made.

In concluding this discussion it may be said that all the above-mentioned methods have some part to play during
a period of fluctuating exchanges. This is a field wherein international compensation and help are of the highest importance though it is equally important that the developing nations themselves should adopt flexible fiscal and monetary policies to meet changing situations. "What is necessary is an integration tax of a contra-cyclical policy with a long-term development plan. This should provide a stable rate of increase of expenditures over the plan period with a flexibility to speed up or slow it down in a short period of a year or so".

LONG-TERM POLICY FOR EXPORTS:

Turning to the question of long-term export policy, the main factors behind the phenomenon of export stagnation facing the developing nations have already been discussed (see Chapter II). In the case of primary products it is certain that both demand and supply factors have contributed to export stagnation, but on the whole the evidence is that demand factors have played the dominant part in this respect. In the case of manufactures the developing nations have just made a start with exports, but their rapid expansion is held up by various import restrictions and other barriers imposed by the developed nations. The removal of these barriers is a sine qua non and steady efforts should be made by the developing nations to achieve this aim. But it is even more important that the developing nations should evolve effective policies for the

long-term expansion of exports as integral parts of their plans of development.

The following are the main lines on which export policy should be formulated. Firstly exports should be planned and not be a mere residue of other policies. From this point of view the most essential requirement is to identify the appropriate composition and direction of exports. In short there should be a deliberate policy of pushing exports and there should be a clear recognition of what and where to export. The next step is to ensure export surpluses through increased production and decreased consumption. It is also necessary to find the appropriate level of prices which would push exports. This necessitates export incentives in the short run and an improvement in quality and a reduction in cost in the long run.

DIVERSIFICATION OF EXPORTS:

In chapter II we stressed the importance of diversifying both export products and their destination and also outlined the main stages in that process. What is required is an identification of dynamic export products and dynamic markets. The present position is that the developing economies are largely confined to certain traditional commodities and markets and the maintenance of the status-quo in this respect is itself becoming difficult. Investments under the development plan should therefore be concentrated on these traditional and non traditional
primary products and manufactured goods which have expanding
demand. Again, different markets should be nursed and supplied
with the exact type of commodity for which demand exists. For
instance low-priced, low quality products have demand in low-
income countries and it will be advantageous for the developing
countries to exploit their intr-regional markets even on the
basis of regionally planned production. This, however, may
not be immediately practicable. The developing countries will
therefore have to push their exports, mainly of manufactures,
in advanced countries. This raises the complicated question
of the attitudes of advanced nations, some of whom already
refer contemptuously to the developing nations as "new Japans".

EXPORT PRICES AND EXPORT TAXES

Once the dynamic pattern of exports is decided upon
it becomes essential to identify the proper level of export
prices. This question is closely connected with the maintenance
of stable economic conditions and is discussed in the subsequent
sections. A special problem arising in this connection is the
role of export taxes. In the case of a commodity with an

10. " ....... the heart of the problem in seeking to promote a
rapid increase in the export earnings of countries in process
of industrialisation is securing a rapid increase in the
absorption of manufactured products from such countries on
the part of the industrially advanced nations of Europe -
East and West - North America, and Japan". I.G. Patel.
New Directions for World Trade. P.100.
inelastic demand an export tax might raise the price and lead to larger foreign exchange earnings. But this acts as an incentive to competing producers elsewhere and increases the demand-elasticity of the commodity. Moreover an export tax reduces the domestic price and discourages the production of the commodity; on the other hand it encourages domestic consumption and reduces the surplus available for export. In the case of raw materials, however, an indirect subsidy is obtained by domestic manufacturers when an export tax is levied. Their competitive strength goes up while that of foreign producers using the raw material is curtailed. Thus in levying an export tax and determining its rate several factors noted above as also the rates charged by other exporting nations have to be given due consideration. The latter factor is important because if another nation levies an export tax at a lower rate there is a possibility of diversion of exports to that country. Thus in planning exports due note should be taken of possible consequences of fiscal measures.

RESTRAINTS ON CONSUMPTION: The importance of restraining domestic consumption in order to promote exports has already been emphasised. Positive measures are required in this respect so that an export surplus is ensured. If, on the other hand, increasing domestic demand and inflationary conditions increase the profitability of the domestic market, as usually is the case in developing economies, exports are affected. Inflation also raises costs and further affects exports. Fiscal and
monetary measures are therefore necessary to maintain consumption under restraint. Various consumption taxes are usually imposed in order to achieve this aim. But they can be effective only in the case of commodities with elastic demands, while in the case of commodities with less elastic demands the taxes raise prices without reducing demand. This situation will accentuate inflationary pressures, particularly in cases where large scale deficit-financing is resorted to. Taxation might also affect supply and reduce the export surplus. Thus it becomes necessary to maintain export production at a high level and increase the attractiveness of exports through such measures as tax-exemptions and lower taxes for export industries.

Export Incentives:

In a world of competition it becomes necessary to take positive measures in order to promote exports. Sales promotion campaigns including propaganda and publicity in foreign countries are essential to capture markets. But these measures may not lead to beneficial results unless efficiency and standards are maintained in production. The goods exported should be of good quality and the prices should be reasonable. The maintenance of a high level of efficiency in production in all its aspects is thus of great importance. One factor responsible for the sag in the exports of the developing countries is that they have not maintained their productive systems at a high level of technical efficiency as the advanced nations have done, with the result that even in the field of primary products the developed nations have forged ahead of the developing nations. The problem is even worse in the case of industry. Thus in a number of
cases the developing nations stick on to lines of production, both in agriculture and industry, with declining markets by investing in them on a large scale. Such investments reveal an attitude of conservatism which diverts resources on to wrong channels. A detailed study of demand trends should therefore form an indispensable process in the planning of investments. A related problem is that of the scale of production. Efficiency could be maximised only if economies of scale are realised. Otherwise cost goes up and prices remain high. This also applies to both agriculture and industry. Often techniques of production are allowed to lag behind in order to achieve such aims as increased employment, preservation of existing industries etc. It need hardly be stressed that such a situation is detrimental to export promotion. The objection to sudden changes in the productive structure is that they lead to economic dislocations and social suffering. In reply it may be said that it is better to make a frontal attack on the problem and face the consequences rather than allow the present situation to drift and then face a more complicated situation. In any case some shocks have to be endured during a period of development. In this connection, we may note the example of the U.K. who was forced to make adjustments when she faced the practically complete collapse of the cotton textile industry. Similarly agricultural reorganisation is also a matter of urgent importance. The fact is that the higher cost of production arising from inefficiency gets superimposed on the inflationary pressure which normally exists during periods of development and pushes
up prices. The result is loss of competitive power in markets.

The conclusion which emerges from the above discussion is that the developing nations should devote special attention to the creation and development of efficient export industries. Investment should also be concentrated mainly on such industries. The policy of allotting large funds for the expansion of lines of production in which exports are declining only because they already exist and certain vested interests are powerful should be given up. There is, in fact, much to be said in favour of concentrating investments on a few industries with large possibilities for export than on a large number of industries. This is possible only if there is close coordination between export planning and industrial planning.

Whichever of the two above-mentioned methods of pushing up exports is adopted, it is essential that the plan should incorporate a deliberate policy of incentives for export industries so that they develop as fast as is desirable. It may be said that export incentives and protection for infant industries are just complementary methods of achieving the same purpose. But export incentives are regarded as positively undesirable and classified as the same as dumping. This attitude of the developed nations is clearly illogical and affects the exports of the developing nations. In fact some nations have adopted clever methods to circumvent this provision and there have also been examples of countries selling their products in foreign countries.
at prices well below their cost of production. Such practices will clearly have an unsettling effect on the international market. It is better to accept the principle of export incentives and systematise it rather than leave matters to the ingenuities of individual nations. Such a step will also be consistent with the spirit of granting special concessions to developing countries accepted by the G.A.T.T. The developing nations should therefore take up this matter under international auspices.

Several indirect methods of export subsidisation have been adopted by the developing nations. Remission of taxes, subsidised transport and power, cheap supply of raw materials, easy access to import licenses etc are some examples. A system of retention quotas under which exporters retain a part of their export earnings and import therewith scarce goods is also in vogue. Cheap credit is also provided, but in this respect the developing nations are not in a position to do much. The indirect subsidies often raise questions of equity and efficiency. Again, goods subsidised by the developing nations are often subjected to import duties in the developed nations, with the result that such goods are obtained by the latter practically as a gift. Thus the small concessions given to the developing countries are nullified by the non-cooperative attitude of the developed countries.

It is often argued that the exchange rate is generally overvalued in most developing countries as it does not equate supply and demand for foreign exchange without the help of foreign aid or import restrictions. In fact, the developing countries impose general import duties to discourage import demand and at the same time subsidize exports in order to promote the competitive ability of export industries. It is argued that in such cases the straight solution is devaluation. It is further pointed out that the effects of both devaluation on the one hand and import duty cum export subsidy on the other— are the same. This, however, is not true. If uniform rates of import duties and export subsidies exist and imports exceed exports there will be a net gain to the treasury.

It is well known that devaluation has psychological repercussions. Again, if the argument that the exchange rate should be adjusted as frequently as is necessary has some validity it may be pointed out that from this point of view modifications in import duties and export subsidies are more convenient and less irksome. Moreover, in a developing economy there cannot be uniform rates of duties and subsidies on all imports and exports. We have also to take account of the possibility of competitive devaluations by various developing countries in order to capture markets. In such a case the benefits go to the developed countries. Devaluation should, therefore, be resorted to only as the last resort. Normally export subsidies and import duties should be preferred. The
fact is that most of the primary products exported by the developing countries have low price elasticities of demand in consuming countries while manufactured exports constitute only a small fraction of their total exports.

REVOLVING FUND: The idea of a "revolving fund" has been suggested as a method of augmenting the foreign exchange resources of developing countries. Often export industries are starved of imported materials. Under the "revolving fund" idea export industries get loans from foreign sources to import required materials on condition that the additional output be exported. The system will be advantageous where excess capacities exist due to lack of materials. The additional exports are to be used to repay loans and to build up a fund of foreign exchange. Ultimately the fund is to be merged in the general foreign exchange pool. This method deserves to be adopted. In fact foreign firms could be induced to finance short-term capital for the import of raw materials. Further they may be attracted to collaborate with export producers and also to set up new lines of production in collaboration with domestic producers. This would enable domestic producers to learn the techniques of advanced production, export promotion and the like and also to gain footholds in foreign markets with the help of their collaborators. 12.

12. "Gaining a market is so difficult that one wins half the battle if one starts with entrepreneurs who already have established outlets. Besides, the industrial nations seem to make less fuss if they lose markets, through the emigration of their own business-men and their capital than if they lose markets in other ways." W.A. Lewis. Theory of Economic Growth. P. 352.
FINANCING EXPORT TRADE: The state has to play an important part in organising export trade in the developing economies by providing information regarding marketing opportunities and credit. Credit, both long-term and short-term is particularly important to bridge the gap between exports and payments. This has to be done either through special institutions or through underwriting basic credits. Export risks have also to be covered through special arrangements. As foreign trade is a specialised form of trade and the risks involved are greater than in domestic trade and in view of the fact that knowledge of foreign trade practices is not adequate in underdeveloped countries it is essential that the state should play a parental role.

BI-LATERAL TRADE AGREEMENTS: We discussed bi-lateral trade agreements earlier as a method of promoting short-term stability in exports. But they can also be utilised to promote the long-run expansion of exports. As the trade pattern of the developing countries is largely the result of historical circumstances and has consequently acquired certain characteristics on the directional and compositional sides it is necessary to introduce a deliberate policy of change in this pattern. From this point of view bilateral agreements can be helpful. Several developing countries have already entered into such agreements and established trade relations with countries with whom there was little trade before. One advantage of this method of export promotion is that it promotes a better understanding of trade problems.
of different countries at the highest levels of government. It has also served to familiarise countries with new commodities. But such trade can be defended only if it leads to a net increase in trade and not just a diversion of trade from existing channels. It is also important to have a check on the resale of imports by a contracting party in third countries. The ECAFE attaches great importance to these agreements. It says: "Even if trade with particular countries involves worse terms of trade than with the outside world, to the extent that there is a net increase in exports to them, which would not have found markets elsewhere, there is a net increase in total income from trade." At the same time undue importance should not be given to bi-lateral agreements as they are essentially artificial in character and the trade built up may not outlast the duration of the agreements.

**MARKETS AND REGIONAL COOPERATION:** Increased trade between the developing and socialist countries points to possibilities for the diversification of the markets for the products of developing nations. Some of these products which face declining markets in the developed countries can be pushed through in other markets established by developing countries. Countries of Eastern Europe, Africa, the middle-east, Latin America and

---

the ECAFE region can thus find markets for each other's products through a process of trade liberalisation and the use of agreements. This is facilitated by the fact that food and raw-materials like tea, sugar, rice, jute etc have higher income elasticities in the low income countries than in the advanced countries. In the case of manufactured articles too a policy of cooperation among developing nations will be of mutual advantage. The problems arising in connection with the establishment of such cooperation have been considered in the last chapter. That these countries should attempt to develop industries on the basis of agreed specialisation may once again be stressed. A good suggestion in this connection is to have joint ownership of specified industrial projects by a group of countries with each country claiming its dividend in the form of an appropriate share in production so that payments problems do not arise at all.14 But under existing circumstances the realisation of such aims is remote.

CONCLUSION: Our study of export problems facing developing economies leads to the conclusion that deliberate policy measures are required to make exports serve the purposes of development.

14. I.G. Patel. New Directions for World Trade. P.109-110. This policy has been christened "combined infant industry policy". It raises several practical difficulties as has been the experience of the East African countries of Kenya, Uganda and Tanganyika. See Austin Robinson, Foreign Trade in a Developing Economy, in Economic Development with special reference to East Asia.
What is required is a definite increase in the quantum of exports as, under existing conditions, there is little prospect of an improvement in the terms of trade in favour of developing countries. The demand for the main exports of the developing countries has almost stagnated, partly as a result of structural changes in the developed countries and partly due to import restrictions adopted by them. Domestic economic conditions and policies in the developing countries, leading to consequences on the supply side, have also contributed their share to the present state of affairs. External sources of capital in various forms like loans, grants and investments from advanced countries and international institutions has also been stagnating if not falling. However, it is not desirable to depend too much on external sources. It is against these facts of the situation that the developing countries have to formulate a strategy for export promotion.

The export strategy which emerges from our study is at once simple and difficult - simple in principle but difficult from the point of view of its realisation. The difficulty is all the greater because a short-term strategy and a long-term strategy are required. Measures adopted to realise immediate improvements in exports also seem to conflict with long-term aims of development. A practical method of increasing the availability of foreign exchange by adopting every possible method has therefore to be commended. From this point of view the first step should be to get the maximum out of the existing
pattern of trade. Measures to promote existing exports to existing markets and to other markets as also measures to export new goods to old as well as new markets have thus to be pursued with vigour. The next step is to identify dynamic export goods and markets and concentrate efforts on them. Various studies have shown that prospects are higher for industrial exports and, further, these have to be marketed mainly in the advanced countries. It thus follows that the industrial exports of the developing countries should increase, which implies larger investments in industry. In this case export promotion leads to higher incomes, larger employment and economic growth. All this, however, assumes steady efforts at economic growth in order to rectify the basic defects in the economic structure.

We have pointed out that methods like devaluation, bi-lateral trade agreements, regional cooperation etc. can only be temporary aids to export promotion. While, on the one hand, advanced countries are progressing on the lines of maximum self-sufficiency the developing nations are developing on more or less parallel lines. A lot of courage is required to expect that the advanced countries would change their policies. A practical method, under the circumstances, will therefore be to face the challenge and go ahead with schemes of economic development. It is possible that the whole world is progressing to achieve a new pattern of trade free from the inequalities of the existing pattern.
It will not be an exaggeration to say that till fifteen years ago there was little realisation in India of the importance of exports. There was a general belief that India was richly endowed with resources and could easily be self-sufficient. The question of canvassing exports did not therefore arise and the exports which actually left the country were regarded only as surplus disposals. This attitude was the result of colonialism and Indian writers lent support to it by harping on the theme of the country being exploited through trade. In a sense this was a natural phenomenon at a time when the possibilities of planned development were not generally realised. What was strange, however, was that this attitude influenced even the National Planning Committee of the Indian National Congress which published excellent studies on various aspects of national economic reconstruction. This is clear from the view taken by the Trade Sub-Committee of this body that imports were unlikely to cause a great strain on the balance of payments in the future and hence export expansion was not important.\(^\text{15}\). The war period too did not serve to drive home the importance of export promotion.

\(^\text{15}\) "Even regarding imports of machinery which are likely to be heavy in the future, we are not convinced that it will cause a great strain on our balance of payment" (P.92. P........ the programme of expanding our export market is, therefore, by no means as vital for this country as unremunerative exports" (P.2e2). Quoted by D.T. Lakdawala, Presidential Address."
The neglect of exports continued to remain for a decade after independence. In the immediate post-war years the country was more worried with imports and as a large amount of foreign exchange had already been earned the need for a vigorous policy of export promotion was not felt. The export controls and other restrictions of this period actually discouraged exports. Even the devaluation of the Rupee in 1949 was meant only to keep step with other countries so that there was no deterioration in the level of exports. Thus "it was implied that it was not necessary or possible for the country to increase its export trade through this method."16. The dollar shortage, however, demanded some attention to exports and a Committee was therefore appointed to suggest measures for export promotion. The fact that this Committee, appointed in July 1949 submitted its report "with exemplary promptitude"17 in September 1949 shows that the problem of exports was not regarded as very serious either by the Committee or by the Government.18. The Korean war which led to a sudden spurt in export earnings dampened the little enthusiasm which remained for positive efforts in the direction of export promotion. It was this situation that constituted the background to the first five year plan.

16. D.T. Lakdawala. Ibid.
18. The main recommendations of the Committee centred round the removal of several export duties and the provision of incentives for Government implemented many exports to hard currency areas. On its part Government implemented many of the recommendations. What was lacking was the realisation that continuing efforts were required to push up exports.
THE FIRST PLAN: The chapter entitled "Foreign Trade and Commercial Policy" is one of the smallest in the first five year plan document. This may be taken as a broad indication of the view held by the planners that commercial policy as such should not be relied upon to play an initiating role in the process of development envisaged in the plan. In fact it was stated in the plan that, in the immediate future, there was little scope for a change in existing trade policy. The policy to be followed was, in short, to be one of maintaining the existing export position. Exports, however, were expected to develop and also change in character as a result of the working of the plan itself, leading to larger production of agricultural raw materials, jute, cotton etc., and also of certain new products. A diversification of markets through increased trade relations with the then economically recuperating countries like Germany and Japan, Czechoslovakia and Sweden and the countries of south and east Asia was also expected to result from the working of the plan. In other words, it was implied that a change in the quantum, character and direction of exports would automatically result from the working of the plan and no policy measures could be successful in the immediate future in achieving the same.

In the light of the above mentioned interpretation it may be stated that the second of the five "guiding principles" of commercial policy according to which policy was to aim at achieving "a high level of exports" was no more than an exhortation. The plan further stated that the aim should be "to maximise, in step with other countries, the volume of world trade". This aim was to be achieved, in the absence of conditions favourable to multilateralism, through a series of bilateral agreements. This too was no more than the expression of a pious hope as the plan said little about the actual steps to be taken to promote exports. It was stated in broad terms that, by the end of the plan period, exports were expected to increase in volume by 10 per cent as compared with the level of 1950-51 and by 30 per cent as compared with the level of 1948-49. How and through which commodities the higher exports were to be achieved was stated only in general terms in the plan. Higher targets for exports were set for 9 commodities. In the case of certain commodities including tea no increases were expected while in the case of a few items including oilseeds declining exports were expected.

The approach to the problem of exports contained in the first plan thus reveals lack of realisation of the role of exports in development. The stipulations that exports should fit in

20. Ibid. P. 452.
21. Ibid. P. 460.
with the production and consumption targets and also with fiscal and price policies meant that exports were expected to play only a secondary role in the process of development. The nine commodities which were expected to attain higher export targets by the end of the plan period were wrong choices to play the role expected of them. A detailed study would have shown that both internal and external factors were definitely against the achievement of these targets. The planners had also nothing to say about the internal measures required to push up exports, except a general reference to the price factor. In fact the increases expected in the exports of the main commodities were not achieved. The average volume of exports for the plan period was only 10 per cent higher as compared with 1948-'49, and about 10 per cent lower as compared with 1950-'51.22. A more serious development was that exports as a percentage of the national income were declining during this period.23. This should have been taken as a warning in the context of perspective planning, but the fact remains that little notice was taken of these developments.

Looking at the situation from a distance the conclusion is that a favourable opportunity to push Indian exports was allowed to pass. A comfortable exchange position and preoccupation with other matters like food had diverted attention away from the external obstacles to growth. Timely action at this stage could

23. See Table 5.1.
have smoothened the exchange difficulties which appeared later. The western world was then still rehabilitating itself from the ravages of the war and the backward countries were just attaining freedom from foreign rule. India thus had a lead which should have been taken advantage of. The investment pattern of the plan would have been different and the size of the plan much bigger if these factors had been taken note of. Unfortunately the very success of the first plan promoted a feeling that all was well on the exchange front.

THE SECOND PLAN:

The second five year plan was conceived as a transport cum-industry plan and its import content was larger than the first plan. This, at least, should have led to a bolder policy of export promotion. But the optimism generated by the first plan was great and once again the bus was missed by the planners.24. The second plan, however, created the impression that it was superior to the first in that it contained details of exports to be achieved. But the increase to be achieved by the last year of the plan was a modest 9 per cent higher than the level attained in 1954. In fact the level to be attained in 1960-'61 was to be more or less the same as the annual average of the previous

24. See B. Datta and others. Economic Development and Exports. According to this study sponsored by the Planning Commission the second plan gave low priority to export industries "and if there was any emphasis at all on the balance of payments view point, it was operative mainly in the direction of import control or of encouraging the production of import substitutes". (p.2).
eight years. The commodities which were expected to show increases in exports were those about whom the Planning Commission were themselves not confident. For instance, the Commission were aware of the dim prospects for tea, jute goods and cotton textiles and yet the target of an export of 1000 million yards of cotton textiles was retained as a hardy perennial. This shows that the planners had reconciled themselves to the grim facts of the export situation. The following statement of the planners, in fact, makes it clear that there was to be little change in policy so far as exports were concerned:

"While every effort has to be made to promote exports of new items and to develop and diversify the markets for the country's major exports, it has to be recognised that it is only after industrialisation has proceeded some way that increased production at home will be reflected in larger export earnings."

The diversification of export products and markets referred to in the above statement was but a restatement of what had already been stated in the first plan. But little was done to evolve a coherent policy incorporating these aims. There was some interest in export towards the closing stages of the first plan and some organisational steps were also taken. In the

first year of the second plan period an Export Promotion Committee was appointed and it submitted its report. The preamble to the resolution of the government appointing the Committee stated that ad-hoc export promotion measures were inadequate and a more comprehensive approach was required. In practice the report did not succeed in creating a sense of urgency about exports. It was only when the foreign exchange crisis appeared in all its fury that Government really became aware of the importance of export promotion.

The foreign exchange crisis pushed the Government into action "and it then acted with considerable vigour, but curiously enough not in a planned way". A number of organisational steps were taken to push up exports. The Directorate of Export Promotion and several Commodity Boards and Export Promotion Councils were set up. There was not much of coordination in the activities of these bodies. Yet they constituted the nuclei for an export promotion structure. Simultaneously several measures were taken to provide incentives to exporters. Export restrictions were removed in the case of 200 commodities and export duties on a number of commodities were either reduced or abolished. Export duties on a few items including tea were, however, retained. Draw-backs on customs and excise duties and

the system of linking imports with exports also commenced. In a few cases direct export subsidies were given, though the practice was generally avoided in deference to the G.A.T.T. There were several defects in the administration of these measures. Yet they were important as, for the first time positive steps had been taken to promote exports.

Two other steps taken to promote exports were the conclusion of a number of bi-lateral trade agreements and the setting up of the State Trading Corporation of India. Bi-lateral agreements, recommended in the first plan, were now vigorously pursued, particularly with the East European Countries and by the end of the plan period there were 25 agreements in force. These contributed much to maintain exports at a reasonable level at a time when the general tendency was one of export deterioration. While this and the organisational and promotional measures described in the previous paragraph brought the state closer to the field of exports the S.T.C. marked the next higher stage of direct state participation in foreign trade. In short, these measures for export promotion carried the implicit principle that the state had to play an active part in export expansion. The outlines of an export policy thus emerged from the foreign exchange crisis.

A vigorous policy of export promotion, duly integrated with other aspects of the plan, did not, however, emerge from the crisis. The emphasis now turned to the pruning of imports to save as much of the plan as was possible rather than to the
pushing of exports. An attitude of "export fatalism" had overtaken the planners and it was believed that the prospects for Indian exports, immediate at any rate, were dim. This, however, was too pessimistic an outlook not warranted by recent developments.

What was wanting was a strategy on the export side. Rather than evolving an export strategy the planners now took shelter under foreign aid. Thus according to one writer aid became the new exchange strategy. This new strategy once again helped the planners. As against the original estimated external deficit in the plan of Rs. 1100 crores the total aid authorised, including the balances available from the first plan, came to Rs. 2397 crores, from which only Rs. 1430 crores were actually utilised. In fact 80 per cent of the external deficit was met by foreign aid by the last year of the plan. Exports, as revealed by recent figures, actually declined during the second plan period. Thus the annual average exports during the second plan period fell to Rs. 607 crores from Rs. 610 crores during the first plan period. (Table 5.1).

We may now attempt an assessment of exports and export policy as they stood at the end of a decade of planned development. The general conclusion which emerges is that Indian planning had paid scant respect for international factors and little had been

done to build up India's position in world trade. When, however, the need for imports increased attention turned to exports, but by then fundamental changes had already occurred in the markets on which India relied. The countries which constituted her markets now followed protectionist policies in the spheres of agriculture and industry and regional economic groupings were being formed. The consequence was a steady fall in India's share in world exports. The industrial countries not only reduced their imports from India but also cut into Indian exports to pre-industrial countries. International factors were thus assuming increasing importance. In fact, as the third five year plan points out exports in the first five year plan might have been smaller but for the Korean boom while the same might have been larger in the second plan but for the recession in 1958 in the U.S.A. and Europe. It thus became clear that export promotion was no easy matter.

The export performance of the first decade also provided certain lessons for the future. The promotional measures taken during the second plan period had proved useful in arresting the fall in exports. But the markets for the traditional exports of India had become stagnant while certain new products including minerals had revealed themselves as dynamic export products (Table 5.3). Similarly East Europe and Japan were found to be dynamic markets (Table 5.2). Measures directed towards the

conservation of existing export products and markets on the one hand and those for the development of dynamic products and markets on the other and the close integration of these measures with the plan thus suggested themselves as the main elements of future export policy.

THE THIRD PLAN:

The third five year plan with its large foreign exchange requirements relied heavily on securing aid. Actually this was in no sense a wrong approach as aid is indispensable in the early stages of development. The planners, however, made the mistake of ignoring the changing attitudes of the countries towards aid which again was a reflection of changing political trends. Foreign aid was thus an insecure foundation for the plan. In fact it was excessive reliance on aid that led to the final collapse of the plan.

Regarding export policy the third plan marked a definitely higher stage in planning as it laid down excellent principles to be followed. The following statement shows that, at long last, the planners had come into grips with the situation:

"One of the main drawbacks in the past has been that the programme for exports has not been regarded as an integral part of the country's development effort under the Five Year Plans".35.

A more categorical statement is found at another place in the report.

"The crucial tests of the Third Plan are two: (a) the extent to which the production of food and raw materials can be increased - what is needed is a striking advance rather than a varying performance; and (b) the energy and drive that are forthcoming for securing the substantial increase needed in export earnings." 36.

The pages in the plan report (pages 137 to 141) wherein the measures required for export promotion are expounded reveal that the Planning Commission had taken advantage of the writings of economists which appeared in the period since the foreign exchange crisis. The Commission proposed both general policies and measures relating to specific commodities in order to push up exports. The general policies included measures to restrict consumption, to increase the attractiveness of exports and to reduce cost and improve productivity in order to increase the competitiveness of Indian exports. Other complementary measures were also proposed and it was suggested that priority should be given to export industries in the allocation of foreign exchange. The plan also advocated measures to diversify export products and markets and hoped to attain an average annual export of over Rs. 740 crores during the plan period.

The export drive implied in the plan was not, however, launched even several months after the commencement of the plan. The Government was obviously awaiting the recommendations of an Import and Export Policy Committee which was constituted, strangely enough, two days before the third plan period commenced. One of the terms of reference of the Committee was "to review the efficiency of the existing export promotion measures and to make recommendations with regard to measures necessary to step up exports in the third five year plan period."\(^{37}\) We cannot resist the temptation to comment here that this Committee, if it was necessary at all, should have been appointed much earlier. The time chosen to appoint the Committee was one more proof of the easy-going way in which exports were being attended to. The Committee consisted largely of representatives of big business and the report which it submitted early in 1962 resembled a memorandum of business-men pleading for various concessions from Government. The main recommendation\(^{38}\) was that there should be a "more adventurous policy of aids and incentives" to "the mercantile community" to push up exports. The incentives suggested constituted a formidable number and included income tax remissions on export earnings, freight concessions, drawbacks of import and export duties, remission of sale tax etc. Government was also to help exporters in several other respects. Compulsory quality


\(^{38}\) Ibid. The recommendations are given on pages 23 to 41 and summarised on pages 61 to 66 of the report.
control and compulsory exports were not favoured. Many of these recommendations were made also by the Committee of 1957. The recommendations made by the Committee of 1962, however, constituted an important influence on policy during the next four years. In 1964-'65 the tax concessions alone cost the exchequer about Rs. 30 crores. Foreign aid and export incentives on a sizable scale thus constituted the two arms of foreign trade policy during the third plan period.

Table 5.1 shows that total exports during the third plan period exceeded Rs. 3800 crores. The average annual value of exports was thus higher by 26 per cent as compared with the second plan. This has been hailed as a "break-through". To concede this at this stage will be premature. Detailed studies are necessary to prove that the large sums spent on export incentives have really benefited the country. It is also necessary to have the assurance that the new found markets will stay and expand. A study of Table 5.1 shows that it was only during the first two years of the plan that a "break-through" occurred. In the subsequent years the rate of increase was declining and in the last year of the plan "severe drought, the fall in the international price of sugar, lower earnings from tea and cotton fabrics and Indo-Pakistan hostilities" kept down exports. Yet exports did reveal a degree of buoyancy during the third plan. There was a

large expansion in the exports of commodities such as iron ore, sugar, iron and steel, handloom fabrics, engineering goods and chemical products. There were appreciable increases in exports to the East European countries, the U.S.A. and Japan. Export promotion measures had thus shown results. It was thus clear that through energetic measures it was possible to attain higher exports.

Fifteen years were required by the planners to learn the lesson that exports could be an important factor in development. That the increase in exports achieved under the third plan did not receive the applause that it deserved was because foreign aid on which the plan mainly relied had failed and the plan itself almost collapsed. This was a forceful reminder that the effort on the export front should be higher. It was further evident that a real breakthrough in exports depended on such measures as proper industrial planning, control over inflation, higher productivity, restricted consumption and other measures touching various aspects of the economy. These measures had been mentioned in the plan but little had been done to implement them. Thus in spite of higher exports attained it became necessary to devalue the currency. This step amounted to recognition of the lack of an integrated foreign trade policy in spite of the fact that the need for such a policy was specially stressed in the third five year plan.
We now take up an analysis of export performance during the first three plan periods with a view to assess the extent of change attained in the field of exports.

1. EXPORT STAGNATION: Successive plans aimed at higher exports, but it will be correct to say that throughout the fifteen year period considered there was stagnation, if not deterioration in exports. During the first plan average exports were higher than under the second, but during the third plan exports increased in value by about 25 per cent. The volume of exports increased by 29 per cent during the first four years of the third plan while during the first decade of planning the increase in volume was only 10 per cent. The increase achieved under the third plan, however, does not represent a breakthrough as it is sometimes claimed. Table 5.1 shows that exports have been steadily falling as a percentage of the national income and during the third plan it stagnated at 4.5 per cent. This means that exports, after all, have registered little progress under planning.

Exports have been declining also as percentages of imports. In 1951-'52 exports covered 75.6 per cent of imports. In 1956-’57 and 1960-’61 they were 71.9 per cent and 57.9 per cent respectively. In 1964-’65 there was a rise to 64.5 per cent.

42. According to S.J. Patel India's exports were 16 per cent of national income at the end of the 19th century. In the early thirties the figure fell to 10 per cent. In the early fifties about 7 per cent of national income was exported. See Export Strategy for the next decade in Essays on Economic Transition.
but in 1965-'66 there was a fall to 59.6 per cent.\textsuperscript{43}. Exports have thus failed to promote the country's import capacity.

India's exports have been stagnant at a time when world trade was rapidly expanding. The result is a steady decline in India's share in world exports from 2.0 per cent in 1951-'52 to 1.3 per cent in 1956-'57, 1.1 per cent in 1960-'61, 1.0 per cent in 1964-'65 and to 0.9 per cent in 1965-'66.\textsuperscript{44}

The conclusion is thus inevitable that exports have not yet contributed effectively to the needs of development. The facts noted by us also lead to the following inferences. 1) The increases in national income have been mainly consumed within the country. 2) The demand for Indian goods is not increasing. 3) Evidently there are other obstacles too to the expansion of Indian exports. India thus finds herself entangled by the factors which hold up the exports of the developing economies noted by us in chapter II. It is also evident that the efforts of India during the past few years have failed to pierce the barriers. This performance may be contrasted with that of certain countries like Taiwan and South Korea which doubled their exports within a period of ten years.\textsuperscript{45}

\textbf{2. CHANGES IN COMPOSITION:} An analysis of changes in the composition of exports becomes important in the light of changes in world trade in recent years noted by us earlier. A change in

\textsuperscript{44} Eastern Economist. Vol. 46. No. 24. P. 1281.
the composition of exports has, in fact, been a major aim of foreign trade policy in successive plans and an evaluation of the achievement in this respect is at once an evaluation of the success of foreign trade policy and of planning itself. Table 5.4 provides an overall view of changes between the pre-plan year 1950-'51 and the year 1963-'64 when exports reached their peak level. The main conclusion which emerges from study of this table is that while, on the one hand, the traditional commodities of export do not reveal a rising tendency and, in a few cases reveal the opposite tendency, a few "dynamic" commodities have emerged though they have not, as yet, acquired sufficient importance in the general structure of exports. The overall picture is thus one of very slow change in the composition of exports.

Table 5.4 reveals the following points. Firstly three commodities have declined in importance as export products. These are spices, vegetable oils and cotton fabrics. In the case of cotton fabrics there was a decline in export value by 54 per cent. Cotton fabrics and spices picked up slightly during the rest of the planning period, but vegetable oils underwent a steep fall. Artificial silk fabrics was another item which fell in 1964-'65. The main point which deserves attention here is the declining status of the cotton textile industry. A second point is that out of an additional Rs.293.6 crores of exports effected during the period under review Rs.91.8 crores or about 31 per cent were accounted for
by traditional export goods like tea and jute manufactures. In fact tea and jute manufactures continue to be the single largest items in the country’s list of exchange earners, together accounting for about 40 per cent of total export earnings. 46. Thirdly items like coffee, fruits and vegetables including cashewnuts and unmanufactured tobacco contributed Rs.32 crores or nearly 11 per cent of the additional exports of the period. The exports of the two last groups have also continued to rise in the subsequent years. Thus it follows that while a few of the traditional exports — all of them based on agriculture — have tended to fall the others hold on and provide the country with the greater part of the export earnings. From the point of view of foreign trade policy this set of facts emphasised the need for strengthening the existing sources of foreign exchange.

Another important fact which may be noted from the table is that a number of new commodities together contributed over 45 per cent of the additional exports of the period. Three new items, namely oilcakes, sugar and iron ore accounted for Rs.97.9 crores or 33.3 per cent. Iron ore and oilcakes have now graduated to the status of dynamic exports though, for

various reasons, sugar exports fluctuate. It has to be emphasised that the commodities in this group are also based on primary production. This leads us to the second policy inference that even under the existing state of the economy there is scope for additional exports.

More significant is the great increase in the export of certain new manufactures. Machinery of all types made phenomenal progress though in absolute terms it is still a small item. Metal manufactures, chemicals, petroleum products etc have also registered impressive advances. In fact the manufactures classified under the omnibus head "engineering goods" have made spectacular progress under the three plans and what is more important, these goods are being exported to both developed and developing countries. In 1964-'65 the export earnings of engineering goods equaled Rs.19.63 crores. In 1965-'66 the figure was Rs.24.43 crores, marking an increase of 24 per cent. Included in the above figures are exports of steel of Rs.2.82 crores in 1964-'65 and 5.53 crores in 1965-'66.47 A large variety of goods come under this category and they represent the industrial advance of India.

3. CHANGES IN DIRECTION: A study of changes in the destination of exports during the fifteen year period considered shows that, as in the case of composition, changes have been slow. However, just as we noted the existence of a few dynamic export products it is possible to distinguish a few dynamic markets.

Table 5.5 shows the main changes in the direction of exports, while Table 4.6 contains a region-wise distribution. The phenomenal increase in exports to the U.S.S.R. and the East European countries is the most notable point in the two tables. Exports to the U.S.S.R. have progressed by jumps from plan to plan and export value in 1965-'66 was 60 times higher as compared with 1950-'51. Exports to Eastern Europe as a whole have increased by 20 times during the three plans. This is an addition to India's exports and has resulted from the deliberate policy pursued during the past several years. In fact, in the context of stagnant and declining exports to other areas the trade with East Europe proved a great boon to India. It was doubly advantageous as it absorbed India's declining exports and provided India with much-needed developmental goods. Increased trade with Eastern Europe and the instrument through which it was achieved, namely bilateral trade agreements, thus commend themselves for inclusion as important aspects of export promotion in the next few years.

The rapid increase in trade with Japan is another notable factor. There has been a four-fold increase in exports
with Japan during the past fifteen years and the increase has been steady during the period. In 1963-64 exports rose to 58.9 crores though there was a slight fall in the last year of the plan. Iron ore exports have been the major factor contributing to this great increase and the same has been pushed up through agreements. This is thus a case of a dynamic market and is yet another pointer to the line of policy to be followed.

Trade with Egypt also increased by four times during the period, the increase being steady. Trade with West Germany more than doubled. These, together with Japan and the East European countries constitute the "dynamic markets" as revealed by the experience of the past fifteen years.

The export trade with western Europe has actually declined. It fell from an average of 38 per cent during the second plan period to 31 per cent during the third plan period. The absolute figures of exports to west Europe as a whole and the E.C.M. region in particular reveal stagnation, but export to the E.F.T.A. have actually declined. (See Table 4.6). Trade with the U.K. reveals a declining tendency, her percentage share in India's total exports falling from 27.5 at the commencement of the third plan to 18 per cent at the end. The aim of the third plan to strengthen exports to west Europe did not succeed as against declining demand for Indian goods in the region and the emergence of the European Common Market.
It is, however, clear that everything should be done to develop trade with this region.

Exports to the U.S.A. have registered small improvements but are far from what they should be. The percentage share is more or less steady though the tendency is to the side of decline. In fact Indian goods constitute less than two per cent of the total imports of both the U.S.A. and the U.K. Table 5.8 shows further than even among Asian countries India's share in the import trade of the U.S.A. was poor.

Trade with Asia has also stagnated. The exports to Burma, Pakistan, Ceylon and Australia have declined both absolutely and as proportions of total exports. Exports to Latin America have also not fared well, while in Africa the position is no better. (see Table 5.9).

The above survey brings out the fact that India still depends on a few markets. Thus in 1965 out of a total export of Rs.800 crores the U.K. (151 crores) and the U.S.A. (150 crores) together accounted for over Rs.300 crores or 37.6 per cent of the total. The U.S.S.R. (Rs.90 crores) and Japan (Rs.55 crores) together took over 18 per cent. Thus four countries, all of them economically advanced ones, provided 56 per cent of India's export earnings. The balance consisted, among others, of Rs.57 crores from 19 African countries and Rs.14 crores from 10 Latin American nations.48.

The question may be posed whether in the light of slow growth in exports and equally slow changes in the composition and direction of exports it will be correct to conclude that foreign trade policy as a whole has failed. We have already referred to some limitations in the policy followed under the three plans. It has, however, to be stressed that slow growing exports is a common phenomenon in all developing economies. The problem assumes seriousness mainly because of fast-growing imports. Again, India's attempts at economic development have coincided with great economic and political changes all over the world. Viewed from these angles it will be correct to conclude that India's foreign trade has, on the whole, retained its position against heavy odds. In other words we have to console ourselves that things were not worse. It is also necessary to take note of the fact that industrial production has not yet made impressive progress in India. These, as well as the appearance of certain dynamic elements in the generally stagnant trade structure actually dispel pessimism and lead us to the search for methods necessary to inject greater dynamism into the export structure.

EXPORT PROSPECTS: COMMODITIES AND COUNTRIES:

With the optimism that appears to be legitimate in view of the points emerging from the previous section we now attempt

49. Industrial production rose by 36 per cent during the first plan and by over 41 per cent under both the second and third plans. These percentages hide the fact that, considering population, area and resources the country does not as yet have a firm industrial base.
a brief analysis of commodities and countries which offer export prospects and the problems which arise in that connection.

1. Farm Products: Even 15 years after the introduction of planning India's exports continue to be mainly farm products, either in their pure forms or in processed forms. This shows that agriculture plays the main part in the field of exports. It also leads us to the conclusion that for a long time to come agriculture in India should secure special attention in the process of development. The recent constitution of a high-powered panel to report on the possibilities of pushing up farm exports is a long over-due recognition of the importance of taking steps to promote farm product exports.

a) Tea: Table 5.6 shows that exports of tea in the world have not expanded much, while Indian exports have actually fallen as a proportion of world exports. Ceylon has steadily improved her position and in 1965 she displaced India as the largest exporter of tea. East Africa, China and Indonesia are the other competitors in the world market. As table 5.7 shows the factor working against India appears to be the high prices of Indian tea. Steps should be taken to reduce cost by toning up the efficiency of production. The tea industry has the distinction that it uses but little of the foreign exchange it earns. Reduced taxation should therefore, be tried as an incentive for export. In fact, in the case of tea there is scope for simultaneous advances in exports and domestic consumption. The world price of tea having stagnated for some time the proper
strategy for Indian tea lies in 1) reducing cost and price, 2) conserve and develop existing markets, and 3) explore new markets. Larger domestic consumption will enable the industry to expand production and derive economies of scale. The proposed instant tea factory in Kerala to cater to American taste and the recent reduction of export duty are both recognition of the need for energetic steps to expand tea markets. Imaginative publicity is also required.  

b) Spices: The decline in exports of spices during the past few years is the result of defective methods of cultivation and the absence of quality control, both leading to high costs. Through more intensive cultivation and compulsory inspection of exports India can increase her earnings from spices like black pepper, ginger, cardamom etc.

c) Fruits and Vegetables: There is scope for a great expansion in the exports of fruits and vegetables. According to Dr.V.K.R.V. Rao, if proper steps are taken, exports of this item can rise to the "tune of hundreds of crores". That exports can be increased by a few crores in certain, what with the variety of fruits available in India. Included under this head is the export of cashewnuts which is an important dollar earner. At present cashew kernels are largely imported. It is not difficult

50. Selling Tea Abroad. Eastern Economist. December 9, 1966. This article shows that through effective publicity Ceylon controls 60 per cent of tea imports into Australia.

for India to become self-sufficient provided a scientific scheme 
of planting is implemented. It may be noted that there is little 
competition for land between spices and cashew on the one hand 
and cereals on the other.

Coffee and tobacco have also done well on the export 
front and deserve greater attention. The examples studied by 
us show that there is sufficient scope for expansion in the 
exports of farm products. What is required is, first the iden­
tification of commodities with export potential, second ensuring 
adequate supplies through suitable schemes in the sphere of 
agriculture and third, imaginative policies in connected spheres 
so that exports actually take place.

2) MARINE PRODUCTS: India's sea food exports have been 
steadily rising during the past fifteen years. This is a dynamic 
export product with great potentialities. Between 1950 and 1963 
fish exports doubled in value from Rs.2.5 crores to Rs.5.7 crores.
How fast the earnings in this respect are may be noted from the 
fact that during the 11 month period ending November 1966 India 
earned Rs.11.83 crores representing an increase of Rs.5.5 crores 
over the corresponding period in 1965. Fifty per cent of 
exports go to the U.S.A. While Australia along consumes Rs.1.5 
crores worth of Indian prawns. It need hardly be emphasised 
that sea foods can be exploited to secure a sizeable amount of

foreign exchange. It is however, important to give due attention to hygienic production and careful packing. Quality control in all its aspects thus becomes an important consideration. In fact poor quality was the main factor which led to the loss of India's markets for pepper. In the case of marine products too such complaints have arisen recently. 53.

3) COTTON TEXTILES AND JUTE: Cotton textiles and jute manufactures are the foundations of modern industry in India and both are farm-based. The problems faced by these two industries, particularly the former, typify the difficult problems of growth experienced by developing economies.

Cotton textiles have steadily lost their importance in India's export list. In terms of volume exports have been fluctuating between 460 million metres and 500 million metres during the past five years. 54. Import tariffs imposed by a number of countries, developed and developing, the growth of the industry in a number of developing countries and intense competition from rival producers like Japan, Hong Kong, Pakistan and China are the main external factors. Internally inadequate raw cotton supplies and rising demand resulting from the general improvement in the standard of living have contributed to high prices. It will therefore, be reasonable to conclude that in the immediate future cotton textiles will

53. Recently the Australian Government imposed "restrictive measures" on the import of Indian prawns as streptococcal germs which cause food poisoning were discovered in consignments of prawns exported from India. Times of India, January 30, 1967.
not be able to contribute anything significant to our foreign exchanges. 55.

Notwithstanding the above-mentioned facts there is still scope for expanding exports to East Europe, Latin America and probably West Asia too. Even in existing markets it appears that Indian goods fetch lower prices due to competition among individual exporters. It will be a safe estimate that cotton textiles will not be able to play an important part in future exports.

The position of jute, India's most important manufactured export, has recently shown some improvement, exports having increased from Rs.135.15 crores in 1960-61 to Rs.182.85 crores in 1965-66. 56. The basic position of the industry is, however, far from secure. Pakistan with her lower prices has been steadily capturing Indian markets. Inflation in India, rising production costs, the use of old machinery and high taxation have all contributed to high prices. These factors are superimposed on lack of the raw material. Energetic steps are urgently required to set the industry in order.

55. According to one study, during the period 1956-60 the cotton textile industry earned foreign exchange to the extent of Rs.339.6 crores while the total outlay of foreign exchange on imports of raw cotton and other requirements was Rs.492.2 crores. The balance of Payments Implications of Textile Production, Reserve Bank of India Bulletin, March 1962. P. 341.
4) OTHERS - CRUDE AND MANUFACTURED: Sugar and vegetable oils will be able to earn exchange only if a policy of restrained internal consumption is adopted. Iron ore exports have already picked up and have great future scope. Leather and shoes have great possibilities if suitable policies are adopted.\(^5\) The finer varieties of handloom cloth and several handicrafts still offer scope.

5) ENGINEERING GOODS: Engineering goods constitute the most dynamic item of our exports and the industry produces not only simple manufactures like fans and sewing machines but also electrical apparatus, appliances and machinery and various other equipment and all these are exported. At present 60 per cent of Indian exports is absorbed by the Asian market, but Europe and America are important customers. It is a notable point that the United States imports metal manufactures from over 50 countries. In 1964 and 1965 such imports amounted to $80 millions and $92 millions respectively. In 1965 India's share of this trade amounted to $1.4 millions and the exports consisted of bells, gongs, padlocks, cabinet locks, fittings, hinges and other products.\(^5\) This shows that, with proper efforts India can earn much larger amounts of foreign exchange from this source. Time is however, an important factor here as other developing nations are pursuing India in this field.

\(^5\) According to the Chairman of the State Trading Corporation of India the price of leather had gone up because of the agitation against cow-slaughter. A total ban on cow-slaughter was not desirable from the point of view of trade as the hide of a fallen animal was inferior to that of a slaughtered one. Times of India. February 1, 1967.

In the brief analysis of prospects for different varieties of goods we have mentioned some prospective markets. We now proceed to make a brief analysis of a few prospective markets.

1) THE CENTRALLY PLANNED ECONOMIES: This section is mainly concerned with Eastern Europe including the U.S.S.R. The rapid expansion of exports to this region leads to the prima-facie conclusion that this is a field which provides opportunities for the future. This is no doubt true, for some time more, at least. In other words, in so far as the immediate future is concerned every efforts should be made to push exports to this region. The fact is that the region immediately requires consumer goods and is also in a position to supply us capital goods. From the long-term point of view, however, it remains to be seen whether an export-own-development strategy could be built up on the basis of trade with Eastern Europe. The fact is that, as at present, Indian goods have low priority in the plans of the countries of this region. Most of the traditional export goods exported from India are either being produced already in the countries of this region to some extent or there are plans either to produce them or to expand their production. This situation

59. S.J. Patel typifies the current optimism when he says that trade with the region would introduce a built-in stabiliser in India's exports. It could play a role not altogether dissimilar from that of irrigation in agriculture, if followed with similar vision and vigour. Export Strategy for the Next Decade.

60. Jute, tea, tobacco, cotton textiles and vegetable oils are the commodities referred to.
has to be studied against the fact that the Communist Nations together constitute a politico-economic block and the policy followed by the block is one of self-sufficiency and in no way different in kind from the policy followed by the E.E.C. A system of long-term agreements with the countries of Eastern Europe has been suggested, but this appears to create more problems than it solves. In short, while exports should be increased with the magion it will be bad strategy to place undue faith in it.

2) THE EUROPEAN ECONOMIC COMMUNITY: The fear engendered in India over the formation of the E.C.M. is symbolic of our conservative approach to trade problems. In 1964-'65 our exports to the "six" were only 7 per cent of our total exports. The U.K., however, took over 20 per cent of our exports during the same year and it is the prospect of the six becoming the seven that frightens India. It is not yet certain that the U.K. will decide to join and it is even less certain that the E.C.M. will continue to function smoothly. The real situation is that here India faces a club of affluent nations. This should be taken as a challenge and the remedy lies in toning up productive efficiency. It has been calculated that Indian exports to the U.K. would fall by 10 per cent of the U.K.

61. Manmohan Singh. Op-cit. P. 269-271. The author himself mentions the consequences. It is yet suggested that with suitable adjustments longterm agreements could become a system of "mutual insurance".
joined the E.C.M. The threat posed by the E.C.M. should therefore be regarded as an opportunity to diversify our export markets. In fact steps should be taken to increase our exports to European countries other than those classified under E.C.M. and E.F.T.A. with whom we already have a small export-surplus (table 4.6). Moreover several individual commodities in our exports are not affected at all by the E.C.M.

3) THE DEVELOPING ECONOMIES: Under this head we include the whole of Africa, South America and Asia with the exception of Japan which, incidentally, is a fast-growing economy which has to be nursed as an export market. Africa in particular offers vast possibilities. So is the case with other Asian and South American countries. India, as a country which has achieved some progress already in development can help these countries in their own efforts to develop by providing equipments and know-how.

In concluding this section we have to emphasise that what emerges is not a pessimistic outlook but the existence

62. Dharma Kumar. India and the European Economic Community. P. 228. According to Rangnekar (op-cit) 90 per cent of our exports to the U.K. and the six will not be affected (p.171). An interesting analysis is that it is the declining trade with the Commonwealth countries that forces the U.K. to seek membership in the E.C.M. The Commonwealth countries should therefore give assurances of a reversal of this trend and save the U.K. from the E.C.M. See Paul Hinzig India and the E.E.C. Eastern Economist. December 9, 1966.

of opportunities which have not been utilised. We have been "selling wrong things to wrong places". Our brief study shows that a vast area has been ignored even while we cling on to a few areas and a few goods. A lack of initiative on the export front is responsible for this situation. The result is that we have been attempting large scale economic development with an export structure wholly unsuited for the purpose. The position becomes worse in view of the fact that the other horse in the chariot that foreign trade is, namely imports, has changed. Policy measures have therefore to concentrate attention on diversification - both of commodities and of markets.

OUTLINES OF AN EXPORT POLICY.

We now attempt, on the basis of our analysis of exports, to evolve the outlines of an export policy. It was pointed out in the earlier sections that export promotion was never seriously considered in India. As late as in 1962 the Import and Export Policy Committee had lamented the absence of an export tradition in India, but the position has not improved since. Since the exchange crisis a number of measures had been taken to promote exports, as for example,

64. S.J. Patel. Export Strategy for the Next Decade. This article recommends even "unorthodox" methods to sell India's new products in pre-industrial countries.

the setting up of export promotion councils, the Export Risks Insurance Corporation and other institutional devices, the removal of various disincentives such as export duties and the provision of several incentives. These measures only helped the exporters to amass fortunes through corrupt practices, though the country as a whole also benefited to some extent through higher exports.

The situation was summed up by the Committee of 1962 thus:

"An important lacuna in the export efforts is that whereas targets of a high order have been, theoretically, drawn up, adequate steps have not yet been taken to dovetail the import-export targets with the plans and projects of development in the private and in the public sector and to lay the foundation of a big trade. Thus in spite of all that Government did exports did not rise as the domestic market was more profitable to the businessman.

EXPORT CONSCIOUSNESS: The failure on the export front points to the fact that it is not by incentives to the exporters alone that higher exports can be achieved. A first requirement is to create the awareness that exports are essential for the progress of the country. The general impression of the people in this regard is that domestic requirements should secure priority.

66. At present there are 18 Export Promotion Councils.

67. Some of these corrupt practices are described in J.D. Sethi, *Foreign Exchange and the Plans in Trade Theory and Commercial Policy*. P. 70.

This has to be removed. This, however, is possible only if a general air of austerity is created in the country and conspicuous consumption is strictly put down. The fall in exports of both vegetable oils and sugar, for example, is largely due to higher internal consumption. Simultaneously it should be made obligatory on every producer to make available a portion of his product for export. The levy of a penal tax for default may be considered. If a producer persists in default, as he is likely to because of the greater profitability of the domestic market, there is a case for the state to step in and forcibly secure supplies. Such an extreme step is defensible as the community is in most cases incurring heavy expenses to provide various facilities to the producer. The fact is that, at present, export policy is largely dependent on exhortations to export. A rational policy is therefore required to create the necessary climate in favour of exports. The absence of this basic condition has, so far, been responsible for the failure of export promotion measures.

DIVERSIFICATION OF EXPORTS:

The diversification of exports - both commodities and markets - is a general prescription for developing economies. While this is, no doubt, the correct approach, it has to be emphasised that such a consummation is bound to be a long-term process under the conditions obtaining in the world today, if diversification is understood as involving a rapid increase in
industrial exports. This is especially the case with a large country like India whose exports are farm or farm-based products to the extent of 65 per cent of the total. The so-called "new" exports, in spite of their impressive progress, constitute only a small percentage of the total and it is very unlikely that they would, in the next few years, acquire the capacity to make an appreciable contribution to our export earnings. We have thus to restrain our enthusiasm for the "new" products and devise a scheme of diversification based on the realities of the situation.

It was argued earlier that there is still a potential market for the agricultural products of India. On the other hand there are several farm products which could be successfully initiated into the world market. Together these exports can earn for India a much larger volume of foreign exchange than what is now available. This alone can be regarded as an immediately practicable scheme of export diversification for India. Its advantages are: 1) It is an attempt to build a higher structure of exports with the existing structure as the base. Violent dislocations are thus avoided even while progress is achieved, 2) It is an attempt to export goods which could easily be produced. A vast net-work of irrigation and other facilities have

69. In 1964-65 agricultural commodities accounted for 47.8 per cent of total exports. Adding the agricultural content of jute and cotton manufactures the percentage rose to 64.2. S.D. Misra. Cash Crops have a case. Eastern Economist. April 22, 1966.
already been created in India and further farm production can be achieved by the fuller utilisation of these facilities. There is also considerable scope for the utilisation of local initiative to push up the production of agricultural products. These have been called "non investment" measures. In other words not much of foreign exchange is involved in this scheme. In fact the scheme leads to the earning of exchange.

We are thus led to conclude that during the next ten years India should devote greater attention to agricultural development, not only from the point of view of import saving but also from the point of view of exports. The first approach enables the country to produce the goods which are now imported and through larger production it helps reduce cost and price. Larger production as a continuing flow would enable the country to solve the problem of short-term fluctuations in the prices of agricultural products which has made India an unreliable and costly source of supply to foreign buyers. Exports are thus strengthened and if the proper agricultural and connected products are chosen for concentrated development India can achieve an immediate increase of exports.

---

71. This aspect was discussed in Chapter IV, Part II.
72. Some of these commodities are enumerated in Chapter IV, Part II, section on policy for Import Substitution.
A problem which arises in this connection is whether our policy should be to export crude materials or processed goods. The theoretical analysis regarding this problem was discussed in Chapter II, Part IV. It is however necessary to adopt a realistic attitude. The natural desire of importing countries to process crude materials themselves and the possibility of substitutes and synthetic products entering the market together might create unfavourable prospects for Indian goods. Processed goods are already subjected to higher duties in several countries. Realism demands that we make the best out of the situation. The agricultural specialisation suggested above will lead to a large supply of exportable goods. These are best exported except where conditions are favourable for processing in India. In other words each situation should be studied before a decision is arrived at. What is important is that a dogmatic attitude should be avoided.

Several problems affecting industry will also be solved by the agricultural programme detailed above. We have already emphasised the lack of competitive strength of Indian industries like cotton textiles and jute. A larger supply of raw materials would restore to them a good part of their lost vigour. The same applies to several other industries as well. Possibilities of new industries will also open up on the strength of expanded agricultural production.

The pellitisation of iron ore, manufacture of sugar cubes and confectionary and processing of mica into mica products are suggested. See Manubhai Shah. India's Foreign Trade Policy. The Indian Journal of Commerce. Vol.XIX. No.66. There is a good case for exporting pig iron rather than iron ore.
The "new" exports have to be considered in the light of their ability to grow fast enough to be able to make a net contribution to our export earnings. We have already concluded that the immediate prospects for such a development are not bright. At present they are heavily subsidised and also swallow up a good portion of our export earnings for the purchase of various inputs of production. For example India exported electric fans selling in the domestic market at Rs. 250 for Rs. 36 only, refrigerators selling in the domestic market at Rs. 2500 at Rs. 525 and cycles selling in the domestic market at Rs. 160 for Rs. 81.74. Further the price of Indian steel is, at present, Rs. 705 a ton against Rs. 404 a ton in the world market.75. It is evident that this state of affairs is not beneficial to the country. A practical solution to the problem will be to progress slowly in this field by concentrating immediate attention on the domestic market with a view to derive economies of scale. The markets already captured should, however, be retained. In short, a policy of cautious advance will yield the best results in this field.

The pattern of export diversification evolved by us is expected to yield an export surplus without large investments. In fact it may be counted upon to finance investments in other

75. Times of India. February 8, 1967. P.8. Col.1. India's attempt to produce steel is, according to C.P. Kindleberger, based on mere prestige. Economic Development. P. 254.
spheres. Here we approach development itself from the point of view of exports. A well devised and integrated scheme of agricultural-cum-industrial development should result from this approach so that exports on the one hand and domestic economic growth on the other are achieved.

PRODUCTIVITY AND COST:

It is a truism that in the ultimate analysis productivity and cost are the two factors which would decide India's place in the export market. In both respects India now suffers by comparison with other countries. Some of the factors responsible for this situation have been previously referred to. In a sense the very economic backwardness of the country is responsible while some of the economic policies pursued in recent years have had the effect of fossilising inefficiency. In short as the inefficiency of the productive system as a whole is involved here the policy should be aimed at isolating the export sector so that it is not affected by the inefficiency of the economy. This amounts to the strengthening of the dual economy. But such an approach is essential to release exports from the proverbial vicious circle of under-developed economies. In short a few units meant purely for export production should come into existence in every industry. These units should maintain international standards in technology and other aspects. This will solve a problem facing industry, namely the opposition to rationalisation for fear that employment opportunities are likely to be affected.

This point of view has already been accepted and proposals have
been made to start a large mechanised unit for the production of shoes meant for export. In the case of agricultural commodities it may not be so easy to isolate the export sector. Measures to improve productivity and reduce cost should therefore be intensified in such cases. However, the possibility of starting a few model farms to produce export products on efficient lines could be pursued. The Commodity Boards or the S.T.C. can take up this work.

The rapidly increasing domestic demand and inflationary conditions in the country have not only made Indian goods costly but have also discouraged exports. Import controls and high profits have, in fact, provided a sheltered market to Indian producers and even export incentives have had no effect on them. We have already suggested that measures be taken to enforce the export of a portion of production. It is, however, desirable to maintain a balance between consumption and export. This enables the realisation of economies of scale and further domestic demand can be a cushion against shocks in the export sector.

Taxation also plays a part in making Indian goods costly. There is reason to believe that in its eagerness to collect revenue the Government have unwittingly made certain Indian goods uncompetitive in the world market. Tea and jute manufactures are instances in point. This points to an unsatisfactory state of affairs in the planning of both revenues and foreign exchange. Larger foreign exchange and a little less of domestic revenue are
certainly to be preferred to less of exchange and a little more of revenue. A judicious method of taxation which is consistent with the requirements of development should therefore take the place of the existing system.

Higher productivity and lower costs are ultimately problems which merge in the basic economic problem of India. The suggestions made for lowering prices include "freezing all incomes, interest, rent, profits, salaries, wages, etcetera, for some time to reduce the monetary demand on scarce consumer goods."\(^76\). Such comprehensive measures, desirable as they are, may have to wait. In the immediate future more modest measures will be sufficient to promote productivity and lower costs.

**ORGANISATIONAL ASPECTS:** A number of institutions have been set up during the past decade to promote exports. While the utility of these institutions need not be questioned the fact has to be noted that exports are mainly handled by a large number of merchant-cum-exporters working with the sole aim of profit. In the words of Rangnekar\(^77\), "export-import business in India has become an escapade for adventurers who have little to lose of their own, and, in some cases, a refuge for those who feel frustrated because of their inability to launch out on other forms of business or secure fairly respectable employment elsewhere". This situation accounts

---


for the fact that policies laid down get twisted in the course of actual implementation. The competition among these profit-hungry exporters has also affected the exports of the country. Thus in the case of the cotton textile industry it is pointed out that prices have come down due to competition among exporters and it is argued that consortiums of exporters should be organised.78. This is a suggestion made by many and it should be pursued. Further the principle that exporters should pay for the services rendered to them by the state should be firmly established.

The fact that in the case of a number of commodities India's share in world exports is declining while that of other countries is increasing shows that, partly at least India has failed to adjust with the requirements of markets. Detailed studies of market preferences are therefore necessary. It is even more important that the findings of these studies should be translated into practice through suitable measures at all levels. As we pointed out earlier there is still enough scope for selling Indian goods in a number of markets as yet inadequately developed.

**POLITICS AND TRADE:** A curious feature of our trade policy is that we refuse to trade with a number of countries for reasons which are irrelevant in trade matters. Exports to South Africa

78. Bharat Ram in Foreign Trade Review. Vol. 1. No. 3.
were cut off several years ago though it is no longer a secret that several nations have violated the boycott decision. Rhodesia has recently been added to the list. While the cause in both these cases is the racist policy of the Government concerned, in the case of Israel and Taiwan trade is discouraged for directly political reasons. On the other hand Pakistan and China form a class by themselves. There is also the indication that some nations providing aid to India have influenced our attitudes towards other nations as well. It is time that we reviewed our policy in this matter. It is clearly inconsistent with our efforts to promote exports. A question which requires detailed examination in this connection is whether social boycott which is a punishable offence in all civilised societies could be resorted to by such societies towards each other.

CONCLUSION: Our conclusion regarding export policy during the first fifteen years of planning is that it was defective in both formulation and execution. It was defective in formulation because it merely aimed at treading the beaten track. This approach was indefensible in the context of rapidly changing conditions in world trade. In the swant we learnt lessons the hard way and then set out to mend matters. But world factors had already overtaken us. On the side of execution the main defect arose from the fact that exports were regarded as an isolated form of activity and export promotion measures were not supported by measures in other connected spheres. The steps taken for export promotion thus proved to be desperate measures
aimed at pushing exports somehow. This indeed is the moral emerging from the recent devaluation.

Our study has shown that the commodity structure and direction of our exports are both unfavourable. Increased exports to East Europe should be considered a gain but it is not certain that the dynamism of this trade will be maintained. On the other hand our exports to our traditional markets have stagnated. A practical policy to be adopted under these circumstances is to devise measures to maintain existing markets and to find other markets. This, however, cannot be achieved unless the basic causes responsible for the stagnation in the demand for our export products are tackled. The main problem here is the high cost of Indian goods. Ultimately this is a problem of the economy as a whole but it is possible to tackle the situation by devoting greater attention to productivity and by developing an export sector in every field of production.

The products of new industries exhibit some dynamism as export goods but this has been achieved at heavy cost. The long-term prospect here is not bright as other developing countries are certain to develop on parallel lines even sooner than may be expected. In the immediate future the policy suggested by us is therefore one of slow progress. This becomes necessary because India will take long to derive economies of scale and acquire the capacity to export these goods at international prices.
An increase in exports has thus to be achieved through an expansion of production in agricultural commodities, minerals and fisheries. It has been argued that through proper production planning India can produce large quantities of a number of products with export demand. This - earning foreign exchange through the expansion of production in agriculture and connected fields - should constitute the main element in export strategy during the next decade. It may be noted that here export policy merges with the import policy suggested earlier by us. Further, the expansion and modernisation of agriculture also solve, to a considerable extent, the problems of our export industries.
<table>
<thead>
<tr>
<th>Year</th>
<th>Exports (Rs. crores)</th>
<th>National Income at current prices (Rs. crores)</th>
<th>Exports as P.C. of National Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51</td>
<td>601</td>
<td>9530</td>
<td>6.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FIRST PLAN</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1951-52</td>
<td>743</td>
<td>9970</td>
<td>7.5</td>
</tr>
<tr>
<td>1952-53</td>
<td>578</td>
<td>9820</td>
<td>5.9</td>
</tr>
<tr>
<td>1953-54</td>
<td>531</td>
<td>10480</td>
<td>5.1</td>
</tr>
<tr>
<td>1954-55</td>
<td>593</td>
<td>9610</td>
<td>6.2</td>
</tr>
<tr>
<td>1955-56</td>
<td>609</td>
<td>9980</td>
<td>6.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SECOND PLAN</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1956-57</td>
<td>620</td>
<td>11310</td>
<td>5.5</td>
</tr>
<tr>
<td>1957-58</td>
<td>561</td>
<td>11390</td>
<td>4.8</td>
</tr>
<tr>
<td>1958-59</td>
<td>573</td>
<td>12600</td>
<td>4.6</td>
</tr>
<tr>
<td>1959-60</td>
<td>640</td>
<td>12950</td>
<td>4.9</td>
</tr>
<tr>
<td>1960-61</td>
<td>643</td>
<td>14140</td>
<td>4.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>THIRD PLAN</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1961-62</td>
<td>661</td>
<td>14800</td>
<td>4.5</td>
</tr>
<tr>
<td>1962-63</td>
<td>714</td>
<td>15400</td>
<td>4.6</td>
</tr>
<tr>
<td>1963-64</td>
<td>794</td>
<td>17200</td>
<td>4.6</td>
</tr>
<tr>
<td>1964-65</td>
<td>815</td>
<td>18110</td>
<td>4.5</td>
</tr>
<tr>
<td>1965-66</td>
<td>845</td>
<td>19300</td>
<td>4.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FOURTH PLAN</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1970-71</td>
<td>1110</td>
<td>25000</td>
<td>4.4</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>In Rs. Crores</td>
<td></td>
<td></td>
<td></td>
<td>Share in per cent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Private Enterprise Economies:</td>
<td></td>
<td></td>
<td></td>
<td>(a) Pre-industrial countries.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Pre-industrial countries.</td>
<td>210</td>
<td>145</td>
<td>150</td>
<td>-60</td>
<td>21</td>
<td>22</td>
<td>37</td>
<td>24</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Industrial countries.</td>
<td>345</td>
<td>420</td>
<td>415</td>
<td>70</td>
<td>77</td>
<td>75</td>
<td>62</td>
<td>70</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All others</td>
<td>335</td>
<td>390</td>
<td>380</td>
<td>45</td>
<td>67</td>
<td>66</td>
<td>60</td>
<td>65</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>10</td>
<td>30</td>
<td>35</td>
<td>25</td>
<td>10</td>
<td>9</td>
<td>2</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Centrally Planned Economies.</td>
<td>5</td>
<td>35</td>
<td>60</td>
<td>55</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Exports.</td>
<td>560</td>
<td>600</td>
<td>625</td>
<td>65</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 5.3.

PATTERN OF EXPORTS 1951-60
(Rs. Crores).

<table>
<thead>
<tr>
<th></th>
<th>1950</th>
<th>1955</th>
<th>1958</th>
<th>1959</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Agricultural Commodities and related manufactures.</td>
<td>496.5</td>
<td>498.3</td>
<td>453.5</td>
<td>473.6</td>
</tr>
<tr>
<td>Cotton and Jute manufactures (included in item 1)</td>
<td>250.5</td>
<td>181.7</td>
<td>153.4</td>
<td>180.5</td>
</tr>
<tr>
<td>2. Other Manufactures</td>
<td>58.4</td>
<td>61.0</td>
<td>53.3</td>
<td>105.0</td>
</tr>
<tr>
<td>New manufactured products (included in item 2).</td>
<td>8.9</td>
<td>8.6</td>
<td>12.5</td>
<td>25.0</td>
</tr>
<tr>
<td>3. Minerals.</td>
<td>23.4</td>
<td>34.4</td>
<td>46.2</td>
<td>53.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>578.3</strong></td>
<td><strong>584.7</strong></td>
<td><strong>553.0</strong></td>
<td><strong>631.6</strong></td>
</tr>
</tbody>
</table>

Source: Government of India. Third Five Year Plan.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tea</td>
<td>80.4</td>
<td>123.4</td>
<td>43.0</td>
<td>53.5</td>
</tr>
<tr>
<td>Coffee</td>
<td>15.3</td>
<td>8.3</td>
<td>7.0</td>
<td>538.5</td>
</tr>
<tr>
<td>Spices</td>
<td>23.8</td>
<td>16.0</td>
<td>-7.8</td>
<td>-32.8</td>
</tr>
<tr>
<td>Vegetable oils (non-essential)</td>
<td>25.3</td>
<td>19.9</td>
<td>-5.4</td>
<td>-21.3</td>
</tr>
<tr>
<td>Oilsakes</td>
<td>Neg.</td>
<td>35.4</td>
<td>35.4</td>
<td>New.</td>
</tr>
<tr>
<td>Fruits and Vegetables</td>
<td>13.0</td>
<td>29.9</td>
<td>16.9</td>
<td>130</td>
</tr>
<tr>
<td>Fish</td>
<td>2.5</td>
<td>5.7</td>
<td>3.2</td>
<td>128</td>
</tr>
<tr>
<td>Leather, Tanned &amp; Dressed</td>
<td>23.4</td>
<td>26.2</td>
<td>2.8</td>
<td>12</td>
</tr>
<tr>
<td>Tobacco unmanufactured</td>
<td>13.0</td>
<td>21.1</td>
<td>8.1</td>
<td>62.3</td>
</tr>
<tr>
<td>Iron ore</td>
<td>Neg.</td>
<td>36.4</td>
<td>36.4</td>
<td>New.</td>
</tr>
<tr>
<td>Manganese ore</td>
<td>8.0</td>
<td>8.3</td>
<td>0.3</td>
<td>4</td>
</tr>
<tr>
<td>Jute manufactured</td>
<td>108.6</td>
<td>157.4</td>
<td>48.8</td>
<td>45</td>
</tr>
<tr>
<td>Woolen manufactured</td>
<td>5.6</td>
<td>9.5</td>
<td>2.9</td>
<td>51.8</td>
</tr>
<tr>
<td>Cotton fabrics</td>
<td>118.1</td>
<td>54.4</td>
<td>-63.7</td>
<td>-53.9</td>
</tr>
<tr>
<td>Artificial silk fabrics</td>
<td>1.0</td>
<td>9.9</td>
<td>8.9</td>
<td>890</td>
</tr>
<tr>
<td>Goir manufactured</td>
<td>10.8</td>
<td>11.7</td>
<td>0.9</td>
<td>8.3</td>
</tr>
<tr>
<td>Petroleum Products</td>
<td>2.3</td>
<td>7.4</td>
<td>5.1</td>
<td>221.7</td>
</tr>
<tr>
<td>Chemicals excluding essential oils</td>
<td>2.0</td>
<td>3.7</td>
<td>1.7</td>
<td>85</td>
</tr>
<tr>
<td>Basic metals and manufactures</td>
<td>3.4</td>
<td>9.5</td>
<td>6.1</td>
<td>179.4</td>
</tr>
<tr>
<td>Machinery, all types</td>
<td>3.5</td>
<td>5.9</td>
<td>5.4</td>
<td>1080</td>
</tr>
<tr>
<td>Unclassified</td>
<td>52.2</td>
<td>82.9</td>
<td>30.7</td>
<td>58.8</td>
</tr>
<tr>
<td>Total</td>
<td>573.5</td>
<td>790.2</td>
<td>216.7</td>
<td>37.8</td>
</tr>
<tr>
<td>Re-exports</td>
<td>27.8</td>
<td>4.0</td>
<td>-23.8</td>
<td>-85.6</td>
</tr>
<tr>
<td>Grand Total</td>
<td>601.3</td>
<td>794.2</td>
<td>192.9</td>
<td>32.1</td>
</tr>
</tbody>
</table>

### Table 5.5

**Changes in the Direction of Exports - 1950-51 to 1965-66**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.A.</td>
<td>115.5</td>
<td>87.2</td>
<td>102.5</td>
<td>134.2</td>
<td>19.2</td>
<td>14.6</td>
<td>15.5</td>
<td>18.4</td>
</tr>
<tr>
<td>Canada</td>
<td>13.8</td>
<td>14.0</td>
<td>17.6</td>
<td>18.3</td>
<td>2.3</td>
<td>2.3</td>
<td>2.7</td>
<td>2.5</td>
</tr>
<tr>
<td>U.K.</td>
<td>139.8</td>
<td>166.2</td>
<td>172.5</td>
<td>133.5</td>
<td>23.2</td>
<td>27.9</td>
<td>26.1</td>
<td>18.3</td>
</tr>
<tr>
<td>West Germany</td>
<td>10.9</td>
<td>14.9</td>
<td>19.9</td>
<td>16.3</td>
<td>1.8</td>
<td>2.5</td>
<td>3.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Italy</td>
<td>15.0</td>
<td>9.6</td>
<td>9.3</td>
<td>7.4</td>
<td>2.5</td>
<td>1.6</td>
<td>1.4</td>
<td>1.0</td>
</tr>
<tr>
<td>France</td>
<td>9.0</td>
<td>7.1</td>
<td>8.8</td>
<td>9.5</td>
<td>1.5</td>
<td>1.2</td>
<td>1.3</td>
<td>1.3</td>
</tr>
<tr>
<td>U.S.S.R.</td>
<td>1.4</td>
<td>3.3</td>
<td>28.8</td>
<td>84.0</td>
<td>0.2</td>
<td>0.6</td>
<td>4.4</td>
<td>11.5</td>
</tr>
<tr>
<td>Japan</td>
<td>10.3</td>
<td>30.2</td>
<td>35.3</td>
<td>48.5</td>
<td>1.7</td>
<td>5.1</td>
<td>5.3</td>
<td>6.7</td>
</tr>
<tr>
<td>Pakistan</td>
<td>30.6</td>
<td>8.4</td>
<td>10.3</td>
<td>4.9</td>
<td>5.1</td>
<td>1.4</td>
<td>1.6</td>
<td>0.7</td>
</tr>
<tr>
<td>Ceylon</td>
<td>19.6</td>
<td>20.5</td>
<td>18.4</td>
<td>11.6</td>
<td>3.3</td>
<td>3.4</td>
<td>2.8</td>
<td>1.6</td>
</tr>
<tr>
<td>Egypt</td>
<td>5.9</td>
<td>9.6</td>
<td>13.4</td>
<td>24.9</td>
<td>1.0</td>
<td>1.6</td>
<td>2.0</td>
<td>3.4</td>
</tr>
<tr>
<td>Australia</td>
<td>30.4</td>
<td>24.8</td>
<td>22.4</td>
<td>16.2</td>
<td>5.1</td>
<td>4.2</td>
<td>3.4</td>
<td>2.2</td>
</tr>
<tr>
<td>Total (including others)</td>
<td>600.6</td>
<td>596.3</td>
<td>660.2</td>
<td>728.3</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>1951</th>
<th>1955</th>
<th>1960</th>
<th>1965*</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>191.8</td>
<td>163.0</td>
<td>192.9</td>
<td>209.3</td>
</tr>
<tr>
<td></td>
<td>(43.6)</td>
<td>(36.9)</td>
<td>(36.5)</td>
<td>(40.2)</td>
</tr>
<tr>
<td>Pakistan</td>
<td>18.1</td>
<td>4.4</td>
<td>2.1</td>
<td>3.4</td>
</tr>
<tr>
<td></td>
<td>(4.1)</td>
<td>(1.0)</td>
<td>(0.4)</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Ceylon</td>
<td>138.4</td>
<td>162.1</td>
<td>185.9</td>
<td>224.3</td>
</tr>
<tr>
<td></td>
<td>(31.5)</td>
<td>(35.7)</td>
<td>(35.1)</td>
<td>(43.0)</td>
</tr>
<tr>
<td>Indonesia</td>
<td>40.1</td>
<td>29.3</td>
<td>35.0</td>
<td>N.A.</td>
</tr>
<tr>
<td></td>
<td>(9.1)</td>
<td>(6.6)</td>
<td>(6.6)</td>
<td>N.A.</td>
</tr>
<tr>
<td>East Africa</td>
<td>16.8</td>
<td>23.3</td>
<td>38.5</td>
<td>46.6</td>
</tr>
<tr>
<td></td>
<td>(3.8)</td>
<td>(5.3)</td>
<td>(7.3)</td>
<td>(8.9)</td>
</tr>
<tr>
<td>China</td>
<td>12.7</td>
<td>34.0</td>
<td>41.3</td>
<td>N.A.</td>
</tr>
<tr>
<td></td>
<td>(2.9)</td>
<td>(7.7)</td>
<td>(7.8)</td>
<td>(-)</td>
</tr>
<tr>
<td>Japan</td>
<td>8.6</td>
<td>14.1</td>
<td>9.9</td>
<td>4.7</td>
</tr>
<tr>
<td></td>
<td>(2.0)</td>
<td>(3.2)</td>
<td>(1.9)</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Formosa</td>
<td>11.3</td>
<td>7.8</td>
<td>11.9</td>
<td>20.1</td>
</tr>
<tr>
<td></td>
<td>(2.6)</td>
<td>(1.8)</td>
<td>(2.2)</td>
<td>(3.9)</td>
</tr>
<tr>
<td>Others</td>
<td>1.7</td>
<td>3.4</td>
<td>11.6</td>
<td>12.7</td>
</tr>
<tr>
<td></td>
<td>(0.4)</td>
<td>(0.8)</td>
<td>(2.2)</td>
<td>(2.4)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>439.6</td>
<td>441.3</td>
<td>529.0</td>
<td>521.1</td>
</tr>
<tr>
<td></td>
<td>(100.0)</td>
<td>(100.0)</td>
<td>(100.0)</td>
<td>(100.0)</td>
</tr>
</tbody>
</table>

**Note:** Figures in brackets are percentages to total.

* Provisional.

### Table 5.7

**COST OF PRODUCTION OF TEA IN SELECTED COUNTRIES**  
(US$ per 100 kgs).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ceylon</td>
<td>452</td>
<td>458</td>
<td>456</td>
<td>458</td>
<td>N.A.</td>
</tr>
<tr>
<td>Indonesia</td>
<td>290</td>
<td>335</td>
<td>426</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>Kenya</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>412</td>
<td>N.A.</td>
</tr>
<tr>
<td>Nyasaland</td>
<td>347</td>
<td>326</td>
<td>336</td>
<td>340</td>
<td>N.A.</td>
</tr>
<tr>
<td>Pakistan</td>
<td>500</td>
<td>506</td>
<td>600</td>
<td>500</td>
<td>N.A.</td>
</tr>
<tr>
<td>Tanganyika</td>
<td>N.A.</td>
<td>480</td>
<td>506</td>
<td>636</td>
<td>N.A.</td>
</tr>
<tr>
<td>All India Average</td>
<td>529</td>
<td>520</td>
<td>538</td>
<td>508</td>
<td>519</td>
</tr>
<tr>
<td>(India (lowest) District</td>
<td>345</td>
<td>339</td>
<td>292</td>
<td>348</td>
<td>320</td>
</tr>
</tbody>
</table>

**Source:** Eastern Economist. Vol. 47. No. 15.

### Table 5.8

**UNITED STATES IMPORTS FROM SELECTED ASIAN COUNTRIES**  
(Dollars Millions)

<table>
<thead>
<tr>
<th>Country</th>
<th>1953</th>
<th>1954</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>1,494.40</td>
<td>1,763.41</td>
</tr>
<tr>
<td>Philippines</td>
<td>344.00</td>
<td>396.50</td>
</tr>
<tr>
<td>India</td>
<td>294.00</td>
<td>309.70</td>
</tr>
<tr>
<td>Indonesia</td>
<td>113.40</td>
<td>166.93</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>189.33</td>
<td>219.00</td>
</tr>
<tr>
<td>Malaysia</td>
<td>178.00</td>
<td>159.20</td>
</tr>
</tbody>
</table>

**Source:** Eastern Economist. April 29, 1966.
<table>
<thead>
<tr>
<th>Country</th>
<th>1962-63</th>
<th>1963-64</th>
<th>1964-65</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethiopia</td>
<td>19.9</td>
<td>17.0</td>
<td>14.4</td>
</tr>
<tr>
<td>Ghana</td>
<td>14.4</td>
<td>14.5</td>
<td>2.9</td>
</tr>
<tr>
<td>Kenya</td>
<td>56.3</td>
<td>50.3</td>
<td>54.1</td>
</tr>
<tr>
<td>Mauritius</td>
<td>11.2</td>
<td>12.0</td>
<td>11.4</td>
</tr>
<tr>
<td>Mozambique</td>
<td>8.2</td>
<td>6.8</td>
<td>13.8</td>
</tr>
<tr>
<td>Nigeria</td>
<td>16.7</td>
<td>37.8</td>
<td>53.5</td>
</tr>
<tr>
<td>Sudan</td>
<td>90.2</td>
<td>78.5</td>
<td>65.2</td>
</tr>
<tr>
<td>Tanzania</td>
<td>20.5</td>
<td>27.7</td>
<td>28.4</td>
</tr>
<tr>
<td>Tunisia</td>
<td>3.0</td>
<td>20.1</td>
<td>4.0</td>
</tr>
<tr>
<td>U.A.R.</td>
<td>131.0</td>
<td>125.4</td>
<td>163.0</td>
</tr>
<tr>
<td><strong>Total (including others)</strong></td>
<td><strong>501.9</strong></td>
<td><strong>463.3</strong></td>
<td><strong>493.4</strong></td>
</tr>
</tbody>
</table>

**Source:** Foreign Trade Review. Vol.1. No. 1.