SUMMARY OF FINDINGS AND CONCLUSION

A country’s position in the international scenario is assessed by its economic power. The economic strength of a nation depends upon its various economic components. One of the major economic components is the foreign trade of the country. The nations can increase its economic welfare by taking part in international trade. No country in the world can exist without some sort of trade relations with other countries. In fact, no country could hope to become self sufficient by producing all types of goods since factor endowments and availability of technical skills vary between countries. Therefore, there was a need to trade with others. International trade had acted as a necessary link between the low developed countries and the advanced countries. It had been said that international trade would make an impressive contribution to a country’s development.

Globalization and liberalization is an emerging trend in the developing countries. India with its vast economic potential, started with economic restructuring programme in 1991-92. As far as the foreign trade sector is concerned, the year 1991 marks a ‘watershed’ as the massive trade liberalization measures adopted since that year constitute a major departure from the relatively protectionist trade policies pursued in earlier years.

Sri Lanka’s economic objectives were to increase trade ties with South Asia’s dominant economic power, to induce the transformation of Sri Lanka’s experts from low-value added goods to high-value added goods
aimed at rich markets, and to provide low income groups with cheap customer imports from India. Moreover, Sri Lanka hoped to attract a more export oriented foreign direct investment (FDI) from third world countries by promoting itself as an effective entry point into the Indian market.

In order to analyse the growth of trade between India and Sri Lanka, the present study is taken up to analyse the growth of international trade in India and Sri Lanka through the exports and imports during 1994-95 to 2003-04 and also to assess the export from India to Sri Lanka and import from Sri Lanka to India in terms of agricultural and industrial products.

The study is based on the information collected from secondary sources such as foreign trade and balance of payments, centre for monitoring Indian economy and central bank of Sri Lanka.

For computation of compound rate of growth, semi log model is fitted to find the growth of foreign trade in India and Sri Lanka during 1994-95 to 2003-04.

\[ \ln Y_t = p_2 + p_2 t + U \]

Compound growth rate was computed using the formula

\[ r = \frac{\text{Antilog}(p_2) - 1}{100} \]

7.1. SUMMARY OF FINDINGS

The international trade performance in India had analysed in terms of export and import growth during 1994-95 to 2003-04 and presented the following findings.
7.1.1. International Trade in India

To sum up, the exports of agricultural and allied products, manufactured goods and minerals in India had shown a remarkable progress during 1994-95 to 2003-04.

In agricultural and allied products export, the export earnings from poultry and dairy products had touched to top level 43.7 per cent per annum, followed by the exports of sugar and molasses (28 per cent), pulses and floriculture products by arounded 15 per cent each and that of fresh vegetables and meat preparation export had annually grown by around 9 percent during the period of analysis. The fresh fruits and spices export by 8 percent each, whereas the exports of coffee, it turned as negative of -7.7 per cent per annum and also and then the rest of the products has annually grown as low between 0.27 and 3 per cent during the period of study.

In case of manufactured goods export indicates that the contribution of total exports in India, floor covering of jute was largely improved by around 19 per cent per annum and followed by ready made garments of wool export accounted as 17 per cent. Consequently, the drugs/pharm and fine chemicals, manufactures of metal, machinery and instruments, paper and wood products, plastics and linoleum goods recorded a growth rate of nearly 14 per cent per annum, whereas the export of chemical and related products, electronic goods and Engineering goods have rapidly increased by 13 per cent each. Among the other manufactured products export have annually grown by less than 9 per cent during a decade. Moreover, the
export of mineral in India during 1994-95 to 2003-04, the export earnings from coal had increased by 11 per cent per annum, followed by the export of Mica by 8 per cent and that of the iron ore had increased by 6.8 per cent per annum.

Hence, this analysis suggests that the exports of poultry and dairy products, and sugar & molasses in total agricultural and allied product export, India’s floor covering of jute and RMG of wool export manufactured good export, and also the exports of coal in minerals had been showing a great potential and could make greater contribution to total exports of India during 1994-95 to 2003-04. Moreover, the agricultural allied product export earnings had been grown faster than that of the manufactured and mineral export in the over all India’s export during the study period.

India’s import performance had shown a significant improvement in the imports of agricultural and allied products. The spices had remarkably increased by around 25 per cent per annum followed by the growth rates import of vegetable oil, as accounted for 23 per cent. During the period of analysis, the import of leather and pulses have improved by 10 per cent each, whereas in silk raw and wheat have a negative growth rate of import for a decade which accounted for -5 per cent and -33.4 per cent respectively and that of rice contribute as 3 per cent only.

Import of raw material and intermediates, the gold and silver import growth rate was high at 27 per cent per annum, followed by the essential oil
and cosmetic preparation and petroleum/crude products as accounted for nearly 23 per cent and 13 per cent respectively and that of dyeing, tanning and colouring material by (9 per cent) and coal, coke, briquettes by (5.4 per cent).

In case of imports of manufactured goods in India, electronic goods had highest growth rate of 22 per cent, followed by the import of cement (14 per cent), manufactures of metal (11 per cent), paper board and manufactures (8 per cent) and medicinal pharm products had increased by 7 per cent. But, the growth rate of manufactured fertilizer had declined by 10 per cent per annum during the period of study.

Moreover, the import of capital goods and exported items, the pearl/precious and semi precious stones and textile/yarn/fabric had improved by nearly 16 per cent each; followed by the electrical machinery (12 per cent) and professional instrument, optical goods etc by 10 per cent.

Thus it is found that the import of gold and silver, spices, essential oil and cosmetic preparation, and petroleum & crude products have made a significant contribution to the growth of India’s import market during 1994-95 to 2003-04.

7.1.2. International trade in Sri Lanka

International trade performance in Srilanka reveals that the export of tea and other agricultural products (11 per cent) had shown a significant improvement during 1994-95 to 2003-04, followed by the export of coconut and rubber as accounted for around 7 per cent and 5 per cent respectively,
whereas, the Srilanka’s Industrial export, the textile and garments, rubber based products and diamonds have grown by nearly 14 per cent per annum, followed the other Industrial products and petroleum as accounted for 10 per cent and 6.4 per cent respectively.

In the category of Srilanka’s import durable goods had the highest growth rate (14 per cent) and that of petroleum & textiles had rapidly improved by 11 per cent in rapidly import during the period of the study. Moreover the other food in agricultural import had occupied the top most growth rate of 17 per cent, followed by sugar (11 per cent), wheat (8 per cent) and that of rice has increased by 4 per cent.

Thus, the International trade in Srilanka indicates that textile and garments, rubber have widely preformed in the Industrial export than that of agricultural products, but the Srilanka’s import of other food in agricultural products had grown faster than the industrial import.

7.1.3. Trade between India and Sri Lanka

In a view of the trade between India and Sri Lanka, during 1994-95 to 2003-04 the export earnings from India to Sri Lanka indicates that the electronic goods had occupied the top most place, which had increased by around 21 percent per annum, followed by the exports of spices, paper and wood products are increased by nearly 13 percent per annum during a decade, and that of iron and steel as accounted for 12.07 per cent. The machinery and instruments and manufactures of metal exports are accounted by 10 per cent each. In case of drugs/pharm and fine chemical
export had rapidly improved by 8.4 per cent per annum during the period of ten years. The rest of the other exports range between 1 per cent and 5 per cent, whereas the export of pulses had annually declined by around 3 percent. Hence, the export of electronic goods, paper and wood products and spices could make greater contribution to the India’s export to Sri Lanka.

An analysis of India’s import from Sri Lanka reveals that the highest growth rate had been witnessed in respect of the non-ferrous metal import which had increased by 127 percent per annum, followed by the imports of paper board and manufactured products (51 per cent), electronic goods (44 per cent), and spices (33 per cent) whereas the import of manufactures of metal and fruits and nuts are annually increased by around 17 per cent during 1994-95 to 2003-04. But the imports of natural rubber, take a negative growth rate, which accounted as -17.9 per cent, and that of leather by 7 per cent.

So that, Sri Lanka has earned more from non-ferrous metal, paper board and manufactured products, and electrical goods import in India during 1994-95 to 2003-04. Moreover, both the import and export of India to Sri Lanka, industrial products had grown faster than that of the agricultural products during the period of analysis.
7.2. SUGGESTIONS

Based on the main findings and implications of the study, the following suggestions and recommendations to the policy makers are derived.

- Revaluation and revision of trade policies are to be made to enhance the opportunities for the domestic economy to participate the dynamics of foreign trade.

- The trade liberalization policies initiated in the year 1991 have an expected impact on export performance, the continuation of such policies with work rigor and commitment is recommended to sustain the present role of export growth and to attain a higher growth.

- Exports of manufactured goods should be strengthened through meaningful and rational restructuring of the tariffs and the granting of subsidies. The manufactured goods exports would bring in more of foreign exchange and it had a more elastic world demand compared to that of the exports of primary products.

- Due to the increase in population and the consequent increase in the domestic consumption of tea, oil cakes, cashew kernels, spices, raw cotton, fish and miscellaneous processed foods, there had been a decreasing growth rate in the exports of the goods. The government had to adopt suitable policy measures to increase the traditional exports along with those of the items of non traditional export.
• The trade is generally opposed to compulsory quality controls and/or pre shipment inspection. Sometimes, even after quality control and pre shipment inspection, there have been complaints which had revealed that quality control alone was not thorough. Nothing harms the export market more than a bad reputation for quality.

• National infrastructure refers to all the facilities that are available within the country and the international infrastructure refers to the network of facilities made available outside the borders of the country. Both the categories of infrastructure facilities includes the following, (a) institutional framework providing export services, advice on import management, (b) network of information collection, dissemination, publicity, image building etc, (c) transport and communication services, (d) banking services, (e) a system of trading houses, clearing agents, (f) research, analysis of the market potential and its behaviours, new techniques of export and import strategies, training of managerial personnel and export/import decision making and management.

• A healthy export sector could be built up only with the help a strong and efficient domestic economic structure. A sound domestic economy warrants a self-sustaining and buoyant export sector. India should develop its own brands internationally and not depend merely on artificial supports. Simplicity, transparency and commitment to reforms are very important.
• Indian entrepreneurs should constantly bear in mind that the fast changing trade trends require a re-orientation of their strategies, to achieve higher yields by way of getting larger shares in the markets and through a better unit value realization through higher levels of quality and by producing value-added products.

• Warehousing facilities should be expanded in important commercial centres abroad, especially for fast-moving consumer goods. Nowadays, foreign buyers are reluctant to keep a high level of inventories and want the exporters to do so in order to enable them to buy the product in smaller quantities and at short notice. Although warehousing is an expensive operation, it certainly would pay good dividends in the long run and help in the establishment of a closer and more stable relationship with the market.

• A well-directed foreign trade policy should be based on accurate trade information data supported by other related data. India had yet to conceive of a system by which this could be pursued. At present, trade statistics are based on a highly biased information supplied by the Export Promotion Councils with a view to obtain maximum advantage in respect of duty drawbacks and export subsidies.

• The high cost of Indian goods should be brought down by raising the productivity and through the upgradation of technology.

• Considering the Indian diversity in respect of its resource endowments and especially its characteristic features as a mega bio-
diversity zone of the world, India should strengthen her patent system so that Indian products might not be patented by other countries ahead of her. Various Indian products associated with its geographical names should be given special treatments just like their foreign counterparts in other countries.

• Greater focus has now to be accorded to export promotion activities. The central and state governments should come forward to develop export trade and make India and Sri Lanka true global plays to the new millennium. Exports need to be declared as a national priority in India and Sri Lanka.

7.3. CONCLUSION

The adoption of inward looking policies and lack of effective emphasis on trade from independence till 1990 resulted in uneven economic growth and poor trade performance in India and Sri Lanka. Under new economic reforms, trade liberalization initiated in 1991 have produced substantial results and creditable achievements in boosting over trade growth, improvement in the balance of payment, export and import stability, trade competitiveness, huge accommodation of foreign exchange reserves and higher rate of economic growth. Though liberalization improved our import and export performance, there are pit falls such as less export openness, trade balance deficit and fluctuations in trade earnings. Innovative export promotion strategies has to be devised and concerted actions at all levels ie., at the level of individual exporter, importer, export
import promotional agencies, business houses and the departments of
governments concerned to be taken.