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International trade is of great importance for any developing country. It forms a very important source of fulfilling the need for capital formation to break the vicious circle of poverty.

Keeping in mind the economic development of India, increasing exports has been prime objective of the country's foreign trade. But since 1951 itself there has been a huge rise in imports while the comparative rise in exports has been less. India's exports as a percent of the world exports were 2.1% in 1950 which fell to 0.4% in 1985 and rose marginally to 0.52% in 1992 to 0.67% in 2002. This is a matter of great concern for India. We have to make concerted efforts to increase India's percentage share in world exports. Specially, exports of manufactured and semi-manufactured goods have to be increased so that the pace of economic development can be fastened.

After Independence, India's exports have seen many ups and downs. Prior to the World War II, the country had adopted a policy of export control but after independence, it became imperative that efforts be made for export promotion. After 1947, the main aim of export trade became foreign exchange earnings.

The reasons for the gradual increase in exports in recent years are many. Firstly, western countries are now out of the effects of economic recession. The government is giving sops for increasing exports. Many facilities for import are given to export oriented units. The taxes and duties on raw materials used in manufacture of exportable goods have either been reduced or removed. Many dedicated Export Processing Zones (EPZs) have been set up.

The various measures which government of India has taken over the years for export promotion have been studied in the following pages of this work. Apart from strategic roadblocks like infrastructure shortcomings and scope for more and more trade agreements, the one major obstacle to export promotion is policy implementation and procedural difficulties. India is a developing country and there is a need for export promotion due to various reasons:

a) Import necessities for industrial development
b) Payment of foreign debts
c) Import of updated technology for operating domestic industrial units at optimum levels.
d) Maintenance of favorable balance of payment
e) Promotion of international cooperation.
Organization of the export trade

The organization of India's export trade can be analyzed from three aspects—nature of manufacture, forms of sale and nature of exporters.

Nature of Manufacture

The main commodities of exports in India are tea, jute goods, cotton manufactures, oil, minerals, pulses, gems and jewelery, tobacco etc. The first three form the major chunk of India's exports hence the maximum attention is paid to manufacture of these products. Although production of tea, jute and cotton is undertaken as large scale ventures, there is no specific way of trading these. Small and medium size export houses buy these from mills hence the trade is scattered. Middlemen play a major role in tea export in bringing buyer and seller parties together and facilitating trade. Due to large number of players and their corresponding selfish motives, the trading patterns are resistant to change. The export trade organization of other products is different. In fact, there are some products which are produced in very small numbers. Due to lack of transport facilities, these goods can be sent from manufacturing points to the ports with some difficulty. The presence of middlemen at number of levels leads to sufficient rise in the prices of these goods. Due to small size of the traders, books cannot be involved for finance.

Forms of sale

Methods of sale differ from product to product. Initiation of trade is done by foreign buyers. The buyers make enquiries through their agents in India or with the exporter's agents abroad. The importer's demand is generally made known through middlemen. These middlemen may charge commission ranging from half to one percent. Releasing the goods from customs and loading on the ship requires some specialization. Moreover, the government changes the rules and regulation related to these formalities from time to time. Big export houses employ their own customs duty offices at ports with specialist employees. Small and medium size exporters utilize the services of middlemen for these jobs.

Nature of exporters

Majority of the export trade in India is conducted through indirect contact. Except for tea and engineering goods, export of other goods is in the hands of professional shipping experts who either work as commission agent or independently facilitate trade.

Foreign importers generally engage in direct trade so the cost can be
curbed by eliminating the middlemen. The presence of export houses is the very basis of the efficient working of export processes. The number of such import and export houses in India is around 20 to 25 thousand. There is no necessity of registration of the exporters and that is the reason why accurate data related to export trade is often unavailable. Apart from this, the internal organization of a firm, the size of its trade, sources of finance etc. are considered secret and hence correct data in this regard is difficult to find.

**Salient Features of India's Exports**

Prior to World War II, industry and trade in India were laggards. Apart from some traditional industries, the country was lacking in transport, communication, electricity, basic and capital industries but India, at that time was Britain's colony. Hence, important resources like agricultural goods, raw materials, and minerals were exported. During the World War II, due to Britain’s involvement in the war, some consumer goods factories were spread here and India started exporting to Africa, Middle Eastern and eastern countries. Planned development started after independence with the beginning of five year plans. In the first three plans, the industries were being established. Power projects were founded, transport and communication system was improved, but in absence of production, exports could not be increased much. After the third five year plan, exports started increasing rapidly. The reasons for slow growth of India's exports prior to the third plan were.

i) Inelastic demand in the world market for India's traditional exports like tea, jute and cotton cloth.

ii) Lack of exportable goods

iii) High pricing and low quality of goods of exports.

**IMPORTANCE OF EXPORTS**

In this, exports are important to all nations - developed, developing or least developed countries. Each country is gifted with some special physical and human resources and can produce some specific goods with least cost owing to various reasons like availability of raw material, proximity to source, cheap labor etc. These goods are produced in large quantities and the surplus is exported to other countries while goods of local need are imported. In this manner, both countries become interdependent and the feeling of unity and cooperation is strengthened.

Some other benefits of exports are:

a) Increase in efficiency
b) Earning of foreign exchange

c) International cooperation and peace

d) Stability in prices

e) Help and support during crisis

f) Opportunities of travel

After independence, the country embraced the ideology of economic sovereignty for which it was imperative to maintain external balance. To achieve this, exports earnings had to exceed import spending. From this very importance of exports rises its constitution, direction, measures of export promotion, government’s role and problems and obstacles thereof. For the resolution of these study of principles, rules and solutions for practical application is necessary.

Foreign exchange plays an important role in export promotion while bringing about economic development in domestic markets. Since it is natural for trade to have a bearing on economic factors of a country, hence the principle of comparative advantage should be applied while deciding the structure of trade. The principle of comparative advantage says that India should produce and export those goods whose manufacturing is comparatively advantageous. If the export of some goods is disadvantageous but essential then efforts should be made to minimize the disadvantage.

With respect to the principle and in the context of India, it seems appropriate that specialization be achieved in agriculture and related products. But here, a strong and relevant problem emerges, that of Long Term Diminishing Returns. Economists like Gunnar Myrdal and Jagdish Bhagwati experienced that in the context of a developing country like India, exports lose their significance in the long term since their major export is agriculture related whose international price is very low and cannot suffice to finance import costs. As a result, long term balance of payment is negative.

To achieve importance in international trade, India has to undertake some measures to increase our share in world exports, foreign direct investment is relatively easy and economical, state of forex improves, fluctuation of exchange rates is decreased and domestic development receives international support and recognition.

In this context, in a polarized world, India should take advantage of its

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non-aligned status for international trade. Possibility of exports of newer goods should be explored and exploited. Export promotion area be increased and a comprehensive foreign trade policy be formed and accepted.

In the present international setup, opportunities for increasing trade have increased. What are needed are determined power, immediate implementation, bureaucratic action, encouraging trade policy and new directions in trade. As more and more countries are coming closer due to the information technology revolution the place for regionalism is getting restricted. New economic organizations are being formed. All of them are pledged to utilize their trade policy to maximum advantage. India should be a part of this cooperation movement and with the support of other developing and developed countries, increase its involvement in foreign trade while reducing domestic unemployment and poverty. The stronger the export position, the faster the engine of development will run for the country's economy.

Reference: