In the foregoing chapters we discussed the trends in India's imports in general and under Machinery and Transport Equipment in particular and also the other two aspects, namely, import control policy and import substitution. We are now in a position to summarize briefly the whole discussion on these aspects as follows.

1. Import Control Policy was the most important instrument of the development strategy during the post-independence period in India. Import policy prior to planning aimed at restricting and postponing import demand due to restrictions imposed by U.K. on the release of sterling reserves. During the second phase, between 1952 and 1957 import policy was more liberal due to comfortable foreign exchange position. During the first year of Second Five Year Plan foreign balances reached a critical stage and that led to radical revision of import policy. Developmental approach to imports started from this period. Since then import policy has been subject to stringent controls for conserving foreign exchange. Since 1966 with the devaluation of rupee there has been change in the order of priorities in favour of raw
material and intermediates. Policy of import for export was formulated during this period.

2. The important factors which determined the pattern of imports over the years are (1) Export earnings, (2) External aid/loan. Within these constraints there was very little scope for the manipulation of the instrument effectively.

3. The important considerations that governed the import control policy has been domestic availability and export promotion prospects. The main endeavour of the development strategy during the plan periods has been the growth of manufacturing sector through import substitution. The most important consequence of this approach has been that of absolute protection to import substitution projects by means of quantitative restrictions on imports. This might have resulted in inflating the cost structure of these industries.

4. Against this background the general pattern of India's imports has been examined with a view to study its association with the shifts in import control policy. It appears that foreign trade has not been the motive force behind India's economic growth. This is deduced from the fact that India's share in the world imports declined from 2.04 per cent in 1951 to 0.74 per cent in 1971. Its share in country's national income registered
a steady fall since 1957-58 onwards. It is seen that although total imports account for a small proportion of national income, the proportion of the non-food imports in the net output of mining, manufacturing and small enterprises account for a fairly large proportion over the years. The imports during the period could never be fully financed through export earnings. However, in the last four years of the period from 1967-68 to 1970-71 the percentage ratio of exports to imports has been continually increasing. Prior to that the ratio has declined almost steadily through the years.

5. The composition of imports also changed radically during these years. Marked fluctuations are observed under food imports. The range has been from 6.76 per cent in 1956-57 to 35.49 per cent in 1967-68. In terms of economic categories it is evident that during the last five years of the period i.e. 1966-67 to 1970-71, the imports under consumer and raw material and intermediate goods increased while those under capital goods declined. The increase in consumer goods has been largely due to increase under cereal imports while under raw material and intermediates it can be by and large attributed to increase under fertilizers, mineral fuels, metals, crude fertilizers, etc.

6. Imports under Machinery and Transport Equipment
which amounted to Rs. 133 crores in 1950-51 constitute 20.37 per cent of total imports. There has been almost steady increase till 1965-66 except in 1958-59 in imports under Machinery and Transport Equipment when its proportion in total imports rose to 35 per cent. The year 1965-66 marks the end of the period as since then a sharp decline in imports under Machinery and Transport Equipment is observed and towards the end of the period its share in total imports declined to 24 per cent. Non-electrical machinery normally accounted for more than half of total imports under Machinery and Transport Equipment. Hence changes in imports under non-electrical machinery by and large explain the changes in imports under capital goods.

7. To assess the behaviour of imports in real terms it is the quantities of imports that are relevant. For this purpose quantity index of imports is constructed and presented in Chapter V. It is observed that the general trend in import under Machinery and Transport Equipment is that of a steady increase upto 1965-66 and a gradual but continuous decrease thereafter and as expected a similar trend is observed under non-electrical machinery too.

8. Among the other two industries imports of electrical machinery increased particularly during the first half of the decade 1960-61 to 1970-71. Imports
under Transport equipment declined very sharply and finally attained a level 1970-71 which was one-third of the level a decade ago. A note-worthy feature in that quantity index of imports under each of the industry i.e. non-electrical machinery, electrical machinery and transport equipment reached its peak in 1965-66.

9. On its own the import series has very little to convey. To associate these trends with the trends in domestic production it was thought necessary to have a look at the performance of the industry during the period. Over the period the production of Machinery and Transport Equipment shows higher increase than under total manufacturing. The growth has however not been smooth but has been marked by definite breaks: The first phase which lasted till 1965 is characterized by steady increase in production, while in the following almost zero growth in the output is observed under this industry. In two years 1966 and 1967 production in fact shows absolute decline.

10. During the first phase a more than 100 percent increase is observed in the production under each of the industry. During the following period when recessionary trend prevailed the worst affected among the three industries was Transport equipment. The index of production declined from 204.3 in 1965 to 132.3 in 1970. The production of other two industries, viz., non-
electric machinery and electrical machinery was higher in 1970 than in 1965. Public investment, foreign collaboration and import control policy played a great role in the growth of the industry. After 1965 there was a decline in the capacity utilization due to shortage of demand for its products. Another point that is to be noted is that the production and imports moved almost in the same direction over the years.

11. Having a comparable set of production and import series, we proceed to identify industries showing import substitution. This is done for three periods: (1) 1960-70, (2) 1960-65 and (3) 1965-70 separately. We regard import substitution to have occurred if (1) the total supply (i.e., domestic production + imports) does not decrease over the years and (2) if the proportion of imports to total supply registers a fall over the period. Taking the fulfilment of these two conditions as the basis, an attempt is made to identify industries and periods showing import substitution. In such cases where the decrease in the proportion of imports to supply is accompanied by a corresponding increase in the supply over the years and also in cases where irrespective of the behaviour of supply the proportion of imports to supply increases, there could be no import substitution. The former, where the decrease in the proportion of imports to supply is accompanied by fall in the supply, is a case
of fall in demand, whereas the latter, where the proportion of imports to supply increases, is the case of increase in import dependence.

12. The results of the exercise are presented in three statements: (i) industries showing import substitution, (ii) industries affected by decline in demand, (iii) industries with increase in import dependence as stated earlier for three periods: (i) 1960-70, (ii) 1960-65, (iii) 1965-70 separately.

13. The supply of Machinery and Transport Equipment industry amounting to Rs. 732 crores in 1960 increased to Rs. 1302 crores in 1965. The proportion of imports to supply declined steadily from 43.69 per cent in 1960 to 35.43 per cent in 1965. Thus the industry clearly shows the incidence of import substitution during the period 1960-65. But in the following period there has been a fall in the supply as well as proportion of imports to supply from Rs. 1302 crores in 1960 to Rs. 1152 crores and 35.43 per cent to 21.97 per cent in 1970 respectively. This is a case of fall in demand. But if the entire period from 1960-70 is considered as a whole then there is indication of import substitution in Machinery and Transport Equipment industry.

Two of the three industries, viz., non-electrical machinery and transport equipment also show a similar
trend during these periods. Electrical machinery is the only industry where import substitution is observed to have occurred through all the periods.

It is believed that import substitution has been a major motive force behind the growth of the manufacturing sector in India. From the foregoing exercise it becomes clear that up to 1965 there is clear indication of import substitution in the industry. During the second half of the period i.e. 1965-70, the industry passed through a critical phase and was affected by the recessionary trend. Lack of demand was the main problem faced by the industry. Therefore import substitution in terms of decline in import/supply ratio with an increase in supply does not seem to have occurred consistently through the period. It became thus possible through this study to trace the evolving pattern of import substitution in the light of development of Machinery and Transport Equipment industry over the period under review.