CHAPTER - 10

CONCLUDING OBSERVATIONS AND FUTURE PROSPECTS

GROWTH IN INDIA'S FOREIGN TRADE

India's export performance, during the first two plans, was very disappointing but indicated signs of revival during the Third Plan. Fourth and Fifth Plan periods were characterised by remarkable expansion in our exports despite various internal and external constraints.

The trend of import, during the First Plan, was stagnant but was accelerated during the Second and Third Plans. During the period of three Annual Plans and the first four years of the Fourth Plan, the tempo of imports slowed down considerably but after the oil price hike in 1973-74, the value of imports showed a steep uptrend. Thus, the pace of our foreign trade indicated signs of sharp growth during the Fifth Plan period. Notwithstanding so much expansion in our foreign trade, our share in world imports and exports revealed continuous deterioration. Even among the developing countries we could not maintain our share.

COMMODITY COMPOSITION OF INDIA'S FOREIGN TRADE

The commodity composition of our exports has undergone some important changes. Traditional items no longer occupy the predominant position in our exports and exports of crude materials exhibited a downtrend. Rather non-traditional items, like engineering goods, marine products, leather goods, clothing, gems and jewellery, etc., have shown remarkable dynamism during
the last decade.

Crude oil, manufactured fertilizers, machinery and transport equipment, iron and steel, chemicals, pearls and precious stones, raw cotton, edible oils, etc., are the leading items of our imports. Cereals were also imported in India in huge quantity but due to increased domestic production of foodgrains, imports under this head indicated sharp decline in the recent years.

Composition of imports also reflects some fundamental changes. The weightage of intermediate goods soared rapidly and that of capital and consumer goods declined considerably. Even the composition of our machinery imports is also getting sophisticated. Compared to heavy and basic types of machinery that we used to import till mid-Sixties, we now import highly sophisticated and technology-oriented machinery.

The structural transformation in our economy which shows that our industrial structure is slowly moving towards heavy and capital goods industries, is also reflected in our foreign trade structure. From the commodity composition of our foreign trade, it appears that the share of processed items is increasing both in our exports (engineering goods) and imports (intermediate goods). This shows that our economy is slowly moving towards processing industries. This trend became more discernable, especially during the Seventies. This is a healthy sign so far as our foreign trade is concerned. With the policy of liberal imports, pursued in the recent years, this trend is likely to
be further strengthened.

GEOGRAPHICAL DISTRIBUTION OF INDIA’S FOREIGN TRADE

Regional distribution of our foreign trade reveals a heavy bias in favour of certain regions and among them only few developed countries. Most of our foreign trade is directed towards North America, ESCAP, West Europe, East Europe and Middle East. On the other hand, countries of Africa and Latin America account for only an insignificant share in our total foreign trade. U.S.A., U.S.S.R., Japan, U.K., West Germany, Iran, Saudi Arabia are our leading trade partners. Iran and Saudi Arabia have become important because of our oil imports, otherwise five industrial giants, namely, U.S.A., U.S.S.R., U.K., Japan, West Germany are the main trading partners of India. During the last 28 years, the share of U.S.A. and U.K. declined both in our exports and imports whereas U.S.S.R. and Japan gained considerably. During this period, West Germany has also emerged as our important trade partner.

GROWTH IN JAPAN’S FOREIGN TRADE

Japan recorded an exceptionally outstanding performance in her exports. The rate of acceleration in Japan’s exports, compared to the average of world exports or the exports of industrial countries, remained far more distinguished. As a result, she strengthened her share in world exports, significantly. Expansion in her share in world exports, during the Seventies, when all major developed countries have lost, is a particularly commendable achievement for Japan.
In the field of imports also, Japan's record remained matchless till the end of Sixties. Because of the world commodity boom and multiplication of oil prices, during the Seventies, the rate of expansion in her imports was not very much above the world average.

ROLE OF FOREIGN TRADE IN JAPANESE ECONOMIC GROWTH

In the economic progress of Japan, foreign trade has played a very crucial and vital role but after analysing various figures and facts it appeared that her economic growth was not led by foreign trade and much less by exports alone.

COMMODITY COMPOSITION OF JAPAN'S FOREIGN TRADE

Commodity composition of Japanese exports revealed a heavy bias in favour of chemicals and heavy industrial products. Moreover, it has undergone significant transformation. During the Fifties, traditional and light industrial products dominated her export scene but thereafter it was commanded by heavy machinery, metal products and chemicals. Another transformation began from 1974 as a result of which the share of knowledge-intensive products started to ascend and that of chemicals and metal and metal products has been experiencing a downtrend. It is expected that knowledge-intensive products will acquire an overwhelming share in Japan's exports during the Eighties.

Compared to her exports, the commodity composition of Japan's imports was distributed more evenly. Foodstuffs,
raw materials, mineral fuels and manufactured products have been the important groups of her imports. Composition of her imports also experienced a transformation. The share of raw materials had been declining and that of manufactured products rising upto 1973. The sudden hike in oil prices slowed down the speed of this shift. Nevertheless, it is envisaged that with the stabilization of oil prices, the current process of transformation will gain momentum.

From the analysis of Japanese industrial scene and commodity composition of her foreign trade, it appears that light and textile industries lost considerably in terms of output, export and import. The share of heavy and chemical industries grew rapidly before the oil crisis and thereafter Japanese economy began shifting towards knowledge-intensive and sophisticated products. In the Eighties highly knowledge and technology -oriented items are expected to dominate the Japanese economic scene and her foreign trade.

GEOGRAPHICAL DISTRIBUTION OF JAPAN'S FOREIGN TRADE

Market distribution of Japan's exports revealed that exports to developing countries have been falling and to developed countries strengthening.

North America and West Europe remained her biggest markets in the developed countries whereas Oceania accounted for only a small and descending share. Except for the brief period, following oil crisis, exports to U.S.A. and West Europe, mainly
EEC, indicated an uptrend. But compared to the capacity of EEC countries, their imports from Japan have been very small.

Among the developing regions East and South Asia accounted for the highest share of the Japanese exports with ASEAN as the most important market segment. However, exports to this region experienced a downtrend during the last two decades. Before the oil price hike, West Asia was comparatively a small market but emerged as the fourth biggest market from 1975. Latin America and Africa's share in Japan's exports did not undergo much fluctuations. Compared to the developed regions, exports to the developing regions have been comprised of comparatively light type of industrial goods.

Exports to Socialist countries did not reveal major changes during 1965-77 but expected to rise as a result of new political and economic understanding with China.

Geographical distribution of Japan's imports did not present a very consistent trend. Contrary to her trend in export market distribution, imports from developed countries showed a downward trend and those from developing countries exhibited a rising curve.

Among the developed regions, imports from U.S.A. experienced a precipitous shrinkage but from West Europe a slowly rising trend has been visible except for the brief period following oil crisis. Before the oil crisis an uptrend in imports from the Oceania could be seen but thereafter no definite trend could emerge.
During the Sixties, imports from East and South Asia registered a subdued trend. The share, however, strengthened in the Seventies but this trend may again reverse in the Eighties. But for the sudden rise in oil imports, West Asia’s share in Japan’s imports showed a slow and steady uptrend. Imports from Latin America and Africa rose during the Sixties but showed a negative trend during the Seventies.

Immediately after the commencement of imports from China, Japan’s imports from the Socialist countries expanded rapidly but noted minor fluctuations during the Seventies. Succinctly, West Asia has acquired such a position in Japan’s trade where it can influence the broad trend of her imports. In addition to West Asia, West Europe and China also exhibit prospects of having a larger share in Japan’s imports. Leaving these regions, all other major regions are expected to play only a subdued role in Japan’s imports during the Eighties.

GROWTH IN INDO-JAPANESE TRADE

India’s trade ties with Japan are extremely old and during the Twentieth century they have strengthened further except during the 1940s, when they were disrupted because of the Second World War.

Bilateral trade with Japan became more intense during the Five Year Plans and currently Japan is among the first five countries (U.S.A., U.S.S.R., U.K., Japan, West Germany) who account for the overwhelming share of our trade.
During the Fifties, both exports and imports with Japan grew more or less with the same speed. But growth of exports was more striking during the Sixties and continued to be so till the early Seventies. After the oil crisis, export growth slowed down considerably, rather it has stagnated. On the contrary, the ratio of imports from Japan, during the Sixties, did not change much but accelerated very rapidly in the Seventies. Unless this lethargy in our exports is shaken quickly, balance of payment with Japan, which remained in surplus for over a decade, may soon turn into negative.

Our reliance for trade on Japan has been far more profound compared to the Japanese reliance on India. Moreover, Japanese dependence on India eased rapidly, during the last decade, compared to the growing strength that Japan acquired in our foreign trade. Japan strengthened its position in the imports of most of the items which she supplies to India and this is in contrast to the losing share of most of our exports in the Japanese market. Another feature of our trade with Japan, in these eleven years, has been that we depended on Japan more for our exports than imports.

COMMODITY COMPOSITION OF INDO-JAPANESE TRADE

Commodity composition of our trade with Japan experienced some changes but the broad trend remained largely the same. Our exports consisted of raw materials and food articles and imports were comprised of manufactured goods, with main emphasis on
iron and steel and machinery. But from time to time, some changes have been taking place in the main groups of our exports and imports.

During the pre-Second War period, raw cotton was the main item of exports from India followed by mineral ores, pig iron and some other items, like jute, hides & skins, shellac, coir and its products, lead, etc. Thus, most of these products were only raw materials.

During the period of first three Five Year Plans, commodity composition of exports to Japan was heavily biased in favour of two types of raw materials — textile making and metal making raw materials. The main commodities being raw cotton, cotton waste, iron ore and concentrates, iron and steel scrap, iron and steel, pig iron, manganese ore, etc. Other items, like coir and its products, mica, hides and skins, etc., accounted only for a small share. In fact, by the end of 1965-66, two-third of our exports to Japan were accounted by two items only, i.e., raw cotton and iron ore and concentrates. Moreover, during this period, Japanese economy passed through a phase of structural transformation as a result of which the weightage of textile industry declined and the growth in her heavy and chemical industries was extremely rapid. Therefore, exports of textile making raw materials from India slowed down in favour of metal making raw materials.

During the period 1967-68 to 1977-78, we were able to break the monopoly of the two items, i.e., raw cotton and iron ore
and concentrates in our exports to Japan. During these eleven years, exports of raw cotton declined to a negligible level and the ratio of iron ore and concentrates also receded considerably. On the other hand, some new items contributed significantly in our exports. They are marine products, precious and semi-precious stones, cashew-nuts, etc. But compared to our over all export commodity composition, only few items contributed for the majority of exports to Japan. Only six items, e.g., iron ore and concentrates, fish and fish preparations, ores of non-ferrous metals and its manufactures, precious and semi-precious stones and iron and steel accounted for approximately three fourth of our total exports to Japan. In this export basket, absence of engineering goods is strange, particularly when viewed in the light of the overall dynamism in our engineering exports and growing capacity of Japan to absorb such items.

The era of rapid growth in heavy and chemical industries was over in Japan with the onset of oil crisis. Since 1974, a new transformation has been taking place in the Japanese economy wherein the importance of oil and raw materials guzzling industries will recede and sophisticated and knowledge intensive industries will play an increasingly bigger role. Moreover, with the increase in per capita income in Japan, their standard of living has also been improving and they have been spending more on fine types of consumer items. The hitherto neglected social and civic infrastructure is also receiving greater attention of the Japanese Government. As a result of these changes exports of
metal making raw materials have slowed down and that of food articles, like seafood, cashews, etc., and fashion oriented items, like precious and semi-precious stones and leather goods, cotton apparels have risen. But, by and large after the beginning of this new economic transformation in Japan, growth of our exports has been halted. Though exports of some commodities have strengthened yet that is more in terms of value, not volume. In fact we are still in search of a strong export commodity base which can sustain our exports on a long term basis. A thorough analysis of Japan's requirements and India's export capabilities should be undertaken to pinpoint those items which can be exported to Japan. However, an attempt has been made, later in this chapter, to identify certain items which have good export prospects in the Japanese market.

Commodity composition of our imports from Japan, before the Second World War, consisted of mainly textiles, iron & steel, electrical goods, machinery and small manufactured consumer goods, like glasswares, potteries, etc. Thus, most of the imports, during this period, were of consumer goods and imports of capital goods were very much restricted. The structure of our imports from Japan remained by and large unchanged during this period but the share of cotton textiles declined in favour of wool and silk textiles and light machinery.

Imports from Japan, during the three plans, showed that almost all of them were of manufactured products. The group machinery and transport equipment accounted for the largest share
with emphasis on general machinery. The second largest item was iron and steel, other items being chemicals and fertilizers, non-ferrous metal products, etc. Increasing bias in our imports from Japan in favour of general machinery owed to our policies of development which emphasised on the growth and expansion of heavy & basic industries as well as on import substitution.

The pattern of imports from Japan remains largely unchanged during the last eleven years. They consisted of manufactured products with emphasis on selected groups, like machinery and transport equipment, chemicals and fertilizers, iron and steel and plastic and synthetic materials.

However, the only change in the import of these items is the growing sophistication of these products.

An important feature of imports from Japan, during the five Plans, is the complete absence of consumer goods in contrast to their overwhelming presence during the pre-war era.

During the next five years, imports from Japan will be concentrated only in the groups under which we have been importing during the period 1967-68 to 1977-78 but the technology of imported items will be more advanced and sophisticated.

The extent of our imports from Japan, during the Sixth Plan, will be determined largely by the overall investment prospects in our country, our developmental programme, amount of Japanese aid authorizations and the private level cooperation between the two countries. If Japan wants to increase its exports to India, it should also buy Indian products in an increasing quantum.
JAPANESE SCHEME OF GSP AND INDIA'S EXPORTS

Among the developed countries, Japan is an early starter of GSP scheme. Since the beginning of her scheme it has been improved on various counts. It is operated on the principles of non-reciprocity, non-discrimination and first-cum-first served. For the year 1979-80, it was open to 145 developing countries with GSP facilities open in 75 CCCN headings in agricultural products and all but 15 CCCN headings in industrial products.

India is among the original beneficiaries under Japanese GSP but our export performance under this scheme has been by and large disappointing.

Most of our exports to Japan under GSP have been of industrial goods.

India has bright export prospects of both agricultural and industrial products under this scheme. Despite sufficiently large quotas for a number of items, there is an urgent need of increasing GSP quota for certain items of export interest to India and deeper tariff reductions for some others. A few items in which India is interested need to be included in Japanese GSP.

One of the problems that our exporters face in the application of this scheme is that it is not possible to know which of the consignments will be entitled to GSP benefits and when, the quota is filled. Therefore, a system should be evolved wherein this sort of uncertainty could be done away with. Japanese GSP scheme needs more publicity among our exporters.
With the inclusion of China among the beneficiaries of GSP concessions, there is a possibility of some adverse effects on our exports to Japan.

NON-TARIFF BARRIERS IN JAPAN AND THEIR EFFECTS ON INDIA’S EXPORTS

While Japan has extended GSP concessions to a large number of developing countries and liberalized the entry of all but 27 product groups, it does discipline the entry of goods through a variety of non-tariff barriers. They are import trade control, State monopoly, statutory regulations pertaining to certain sensitive items, commodity taxes, anti-dumping and emergency duties, customs valuation system, voluntary export restraints, health and sanitary regulations and labelling requirements, etc.

Most of these barriers are enforced to protect the health and security of Japanese people, regulate prices, ensure quality of products and protect some of the small and sensitive industries. It also appears that most of these regulations are applied to both domestic and imported goods. But there are certain products of export interest to India in which Japanese non-tariff barriers do play or may exercise a restrictive role. Some of such items are tea, coffee, tobacco, spices, cashew nuts, coir and coir products, leather and leather goods, cotton textiles, marine products.

Since majority of these items is of consumer goods, it is not possible to persuade the Japanese Government to
liberalize the non-tariff barriers in the near future. Therefore, the only practical solution lies in improving the quality of our export consignments and we should ensure their proper transhipment.

JAPANESE YEN CREDITS TO INDIA

India has been receiving yen credits from Japan regularly ever since she started her aid programme and rather India has the distinction of being the first recipient of Japanese aid. Currently India is the second largest recipient of yen credits after Indonesia (this is in contrast to the low rank of Japanese assistance in India's total receipts of foreign assistance).

Yen credits to India have been divided into three categories - commodity aid, debt relief and project aid. Among them commodity aid tops the list followed by project aid and debt relief. Japan has also financed some of our imports through suppliers credits.

Despite massive assistance there have been occasions when the net aid flow from Japan turned into negative. This has happened because of the huge repayment liabilities.

TERMS OF ECONOMIC ASSISTANCE

The terms of economic assistance received from Japan under various heads have been liberalized over a period of years. Rate of interest has been cut down, period of repayment, grace period and the grant element have been increased. One of the most important developments of Japanese assistance is that the
credits have been untied since 1976-77 in favour of other developing countries. But compared to terms of aid received from other developed countries, Japanese terms are less liberal.

JAPANESE TECHNICAL ASSISTANCE TO INDIA

Japanese assistance is not confined to the flow of financial resources, they have also rendered valuable technical assistance in various fields. They have trained Indian personnel in Japan and sent Japanese experts to India. Eight agricultural demonstration and extension farms were established in India with the Japanese assistance. Japan has also assisted India in the fields of fisheries, small scale industries, industrial technology, medicines (mainly for the control of leprosy), etc. Most of these projects were undertaken in the early 1960s. But after the initial enthusiasm her interest has cooled down in such projects.

MAIN CONSTRAINTS

Looking to the Japanese capabilities and the scope of such cooperation in India, the level of Japan's assistance in these fields is unsatisfactory and insufficient. Moreover, compared to the extent, depth and regularity of financial flows from Japan, the level of technical flows has remained restricted. Lack of proper understanding of each others' motives, absence of close political liaison and slow-down in economic front in India after the end of Third Plan, are some of the reasons which petered out the Japanese interest in India.
Moreover, whatever economic progress has been made in India has largely gone unnoticed and unappreciated in Japan.

This information gap should be bridged through sustained publicity both by the Indian Embassy in Japan and our commercial sector. Wherever necessary, our Government should put forward only specific proposals before its Japanese counterpart for a more meaningful level of bilateral cooperation.

FLOW OF PRIVATE CAPITAL FROM JAPAN TO INDIA

The extent of Japanese foreign investment in India has been very unsatisfactory when compared to the flow of private capital from U.K. and U.S.A. and even the flow of official Japanese assistance. During the decade 1960-70, Japanese investment in India indicated an accelerated trend but thereafter it has experienced a negative growth.

Indo-Japanese collaboration indicated a rise in the initial period of five years but afterwards only a stagnant trend appeared. The share of tie-ups involving financial flow from Japan has been comparatively very small and indicated a downswing in the Seventies. Since 1968-69, Japanese investors have been withdrawing their investment from India at the rate of nearly Rs.7 crores per annum.

Most of the Japanese investment in India has gone to manufacturing sector and services sector accounted for a small share only.

JAPANESE TECHNOLOGY IN INDIA

During the last two decades, the flow of Japanese
technology indicated a quantitative improvement from consumer goods manufacturing technology to machine making sophisticated technology. Presently a number of consumer and industrial products are manufactured in India with the help of Japanese technology. But looking to the Japanese capabilities and India's requirements the flow has remained restricted.

CAUSES OF UNSATISFACTORY LEVEL OF JAPANESE INVESTMENT AND TECHNOLOGY IN INDIA

The decline in Japanese investment and stagnancy of the flow of technology owe to the following factors. Below expectation performance during the plans and our limited capacity to tackle unexpected crisis, like droughts, have shaken the confidence of Japanese investors. Added to this are that the Japanese are thoroughly disgusted with the style of functioning of our bureaucracy, lower rate of royalty payment for technology, lower profitability of their investment in India, unsatisfactory labour relations, fear of nationalization, unhealthy investment climate, rigours of FERA and sometimes lack of definite and meaningful proposals.

THIRD COUNTRY COOPERATION

There have been some cases of Indo-Japanese collaboration in third countries also but their extent has been far from satisfactory. Lack of proper information to Japanese parties about our capacity to supply the required goods and sometimes our uncompetitive prices and poor quality come in the way of
such ventures. Because of geographical proximity, close commercial relations and cultural similarity, Japanese firms feel more close to the firms of Korea, Hong Kong, Singapore and Taiwan and prefer to enter into collaboration with these countries for third country jobs.

FUTURE COURSE OF JAPANESE ECONOMY* AND PROSPECTS OF INDIA’S EXPORTS

Japanese economy witnessed a double digit growth in the 1960s as a result of which it suffered from various imbalances. The quality of life, level of civic amenities and social security did not rise with the level of economic development. In addition, the quality of environment - air, water, noise worsened. The oil crisis gave a severe blow to the Japanese economy and her people and planners were compelled to think in terms of an alternate growth strategy. Many internal and external constraints hastened the process of a major reshuffle in her economic structure. Among the major domestic constraints against rapid economic development are -- shortage of further plant sites, shortage of industrial water, costly labour, slow-down in the rate of savings and investment because of the increasing tendency to spend more for consumption, high rate of inflation, resistance

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related to such aspects of life will be in greater demand.

Government expenditure for the enrichment of national livelihood in terms of social security schemes, such as old age pension and civic amenities, like parks, sewerage, hospitals, drinking water, road pavements, pollution-disposal facilities will rise. The pattern of business investment will also shift from raw material, energy consuming and labour-intensive industries to sophisticated knowledge and technology oriented industries as well as capital intensive industries, like R&D, labour-saving equipment, computers, office machines, electrical and non-electrical machine manufacturing industry, anti-pollution equipment, transport and communication industries, etc. Private housing investment is also expected to grow rapidly.

As a result of changes in demand pattern, transformation in her industrial structure and various constraints, Japan's relations with the outside world and the structure of her foreign trade are bound to be influenced in a big way.

In the new import structure, import of raw materials, like textile materials, metal ores and other types of raw materials will decline and that of industrial goods including sophisticated machinery and chemicals and light industrial goods, such as textiles, sundry goods and less sophisticated machinery will accelerate.

Likewise Japan's export structure will change in such a way so that the relative weight of textiles and steel will decline and that of high grade goods, like fine chemicals,
knowledge intensive products and sophisticated machinery will
grow. Export of transport equipment will maintain a steady
growth because of the changing demand for new types of
automobiles.

The transformation in her foreign trade will also
influence the direction of foreign trade. In this decade
(1975-85), the share of developed regions, mainly North America,
West Europe will expand and that of developing regions will
decline in Japan's imports. Weightage of South and East Asia
will receive setbacks whereas Communist block, mainly China's
share is expected to rise. Unless a proper substitute of oil is
found, Middle East will also account for a considerable share in
Japan's foreign trade. Market distribution of Japan's exports
will be centered around developed countries, mainly North America
and Western Europe and the share of South and East Asia will
decline. Exports to Middle East may increase because of the
increased spending capacity of this region. From this pattern
one thing clearly emerges, i.e., North America and West Europe
will play a greater role in her trade whereas South and East
Asia's share will recede.

Private Japanese investment abroad will expand both
qualitatively and quantitatively. It will be directed more
towards commercial sector and industries which are uncompetitive
for Japan or which are raw material and energy consuming.
Prominent among them will be textiles, electrical machinery
parts, ferrous and non-ferrous metals, petrochemicals, machinery
parts, food, etc.
The direction of Japanese foreign investment will be more towards Asia where investment will be increased, mainly in petrochemicals, ferrous, non-ferrous metals, textiles, electrical machinery, natural gas, timber, etc. Investment in developed regions, like Oceania (for raw material development) and North America (commercial sector) will also increase. But the direction of Official Development Assistance will be centered around developing countries mainly of Asia and Africa.

PROSPECTS OF INDIA’S EXPORTS TO JAPAN

In such a changing environment in Japan and viewing India’s growth potential, the scope of India’s economic relations with Japan are extremely bright despite envisaged setback for South & East Asia from exports point of view. Since the standard of living of Japanese people is bound to be higher with more emphasis on better diet, clothing, housing, health, culture, recreation, transport and communication, India has good export prospects to meet some of the Japanese demands. Among the food articles, India can export to Japan, are seafood, meat, preferably processed and packed, instant tea and coffee, cashew nuts, spices and curries, preparations of fruits and vegetables, sugar, etc. In terms of clothing and dwelling requirements, India can export readymade garments, wearing apparel, leather goods and footwear, ornamental accessories, handicrafts, precious and semi-precious stones, jewellery, curtains, carpets, sanitary fittings, electrical fittings and fans, furniture, etc. There is a scope of exporting medicinal
herbs, sports goods, travel goods, bicycles and components, sewing machines and components, hand-tools and 'do it yourself kit' for gardening, agarbattis, fireworks, etc. Since Japan plans to increase imports of manufactured products, India can export a lot of engineering goods, like M.S. pipes, tubes, fittings, abrasives grinding wheels, diesel engines and parts, forgings and castings, auto-parts, components of electronic items, semi-processed steel, iron and steel, non-ferrous metals, builders' hardwares, timber, jute goods, etc. Meanwhile, to meet the requirements of existing plants Japan will be importing iron ore and concentrates, ores of non-ferrous metals, raw cotton and iron and steel scrap from India.

Moreover, Japan plans to expand her cattle population to increase the domestic availability of meat and dairy products. Since Japan is short of cattle feed, we have good scope of exporting oilcakes and other types of animal feed. Various types of crude materials, more so in the finished form, may also find a good market in Japan. But we can establish a foot-hold in the Japanese market provided we are able to offer our products at competitive rates and meticulously adhere to delivery schedule.

Practically whole of the foreign trade of Japan is conducted by private trading houses. Therefore, a close liaison should be made with the concerned trading houses. The reported official move to recognise Japanese trading houses in India may prove a very useful step in this direction.
In addition, Japan External Trade Organisation has also suggested some important measures for export promotion to Japan. It has pointed out that "exporting nations should first become well acquainted with the customs, practices and culture peculiar to Japan. Based on this understanding, they should enhance their export efforts with accurate recognition of Japanese domestic conditions, import structure, distribution system and consumer needs and develop products suited for... the Japanese market." According to a survey, more than 58 per cent of Japanese people selected imported goods for three reasons -- excellent taste and quality, fine design and easy to use. Therefore, if we wish to encash the export opportunities in Japan we have to give a great thought to Japanese buyers' motives and transform and direct our export efforts accordingly.

SCOPE OF INDO-JAPANESE COLLABORATION

After two decades of rapid economic growth, the Japanese economy is being adjusted for a slow rate of growth. Constraints of energy, raw material, labour, industrial sites, industrial water, etc., have forced the Japanese to initiate dialogue, with such countries which are free from such constraints, for the manufacture of those items in which Japan has lost competitiveness or which consume lot of energy and raw materials. Since India, by and large, do not suffer from such constraints, rather, we have a good reserve of technical and skilled personnel and have sufficient supplies of most of the industrial

raw materials, we offer excellent opportunities for such joint-ventures. Since Japan will be interested in buy-back arrangements of such products and on the other hand export promotion is now our top economic priority, therefore, perfect complimentarity exist between the motives of the two countries. Most of the irritants that have been pointed out by the Japanese can be removed but what is important is that we should convince the Japanese about our capacity to undertake such joint ventures. For this purpose the information gap in Japan, about our industrial achievements and performance, needs to be bridged and measures should be taken to maintain liaison with the Japanese parties on a continuous basis.

The fields where both the countries can fruitfully collaborate are aluminium, basic metal products, non-ferrous metals, such as copper, zinc, manganese, cromium, ship building, energy (power generation, coal gasification and hydrogen energy technology), deep sea fishing, offshore oil exploration, agricultural instruments, textiles, paper and pulp, etc.

Moreover, there is no over concentration of Japanese investment in India and there is no anti-Japanese feeling. Therefore, the favourable attitude of our people towards Japan is another big factor in promoting bilateral cooperation.

FUTURE PROSPECTS OF INDO-JAPANESE COOPERATION IN THIRD COUNTRIES

With our geographical proximity with Middle East and political closeness, cheap and skilled labour, availability of
various types of industrial goods and our experience of undertaking project work in this region, there is tremendous scope of Indo-Japanese collaboration in the Middle East. Among the areas where both the countries can collaborate are townships, civil construction, road and airports, petro-chemical and fertilizer projects, power generation and transmission, metal making plants, railways, etc. For marketing some of the Indian products in this region Japanese cooperation may be sought in terms of using their brand names and by adopting their standards. Similar cooperation from the Japanese parties may also be sought for joint ventures in Africa.
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