CHAPTER - 2

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Introduction:

The modern slogan “Trade and Aid” has proved the importance of international trade. Thus, trade has been an important area of discussion covering pages after pages. It plays a prominent role in the determination of level of living, the rate of economic growth and distribution of income and wealth.

A review of empirical studies helps to identify gaps in the area, thereby providing justification and hints for an in-depth further study like the present one, and will also be much useful for formulating appropriate export and import policies.

The present chapter simply makes an attempt to examine the studies undertaken with respect to exports, imports, balance of trade, terms of trade, gains from trade and purchasing power of exports of India.

1. Benjamin I. Cohem made an attempt to find out the causes for stagnation in India’s exports during the period 1951-61. He found that due to the foreign exchange problem, the share of exports of developing countries to the total world export is on the decline. During 1951-61, India was the third largest exporter among the developing countries. After 1947, the share of Indian export never increased rather it always declined. The stagnation in Indian export was due to the fall in the demand of traditional goods of India in the world market.

2. A.B.L Mathur examined India’s terms of trade with USA for the period 1951-52 to 1968-69. Having computed India’s overall terms of trade with USA taking 1958-59 as the base year, he made a comparison between these two. He observed that out of 18 years under review, India’s terms of trade with USA remained favourable in ten years against only eight years in case of India’s overall terms of trade. Thus, by and large trading with the United States of America has been beneficial for India though, the country’s balance of trade with USA has been persistently unfavourable. The presence of unfavourable balance of trade during the years of favourable terms of trade shows that export earning could have been much more, had appropriate promotional measures been taken. India being a developing country, its demand for imports is inelastic or very little elastic. The position of unfavourable terms of trade during the last four years of the period under review viz 1965.

66 to 1968-69 is not unique in relation to USA but a malady from which the foreign trade of the country as a whole suffered.

On the basis of his findings he suggested that to make both India’s terms of trade and balance of trade favourable while not starving the country of the essential imports, India should boost the production of exportable at reduced costs, and higher degrees of quality, and improving the standards of service to the overseas buyer. She should also try to maximise the overseas marketing of value-added items rather than commodities in their raw form.

3. A.Haldar and J.H.Richards examined:

I.) Commodity concentration and geographic concentration of exports and imports; and

II.) The role of commodity concentration, geographic concentration and the effects of concentration on primary export commodities on the instability of India’s export trade. For both exports and imports 100 commodities were selected from three-digit SITC code. The coefficients of concentration were measured for the period from 1957 to 1966. The data used were obtained from the Government of India’s publication “Monthly statistics of the Foreign Trade of India”. He arrived at the conclusion that:

I. A considerable change has taken place in the structure of India’s foreign trade, primarily in exports. The diversification of exports has been in terms of a change both in the commodity structure and geographic structure of exports. The share of primary commodities in the total export of India has declined. The percentage share of traditional markets for Indian exports declined gradually during 1957 to 1966, whereas, the percentage share of the newly developed markets increased during the same period.

II. The degree of commodity concentration of imports has remained relatively stable during this period.

III. The geographic concentration of imports exceeds that of exports which is largely due to the effect of ‘tied - aid’ policy followed by donor countries.

IV. The relationship between instability in export earnings and commodity concentration, geographic concentration and the concentration on the primary export commodity, appears to be insignificant in all cases.

4. Singh examined the relationship between the sectoral terms of trade and economic growth in Indian context. He starts with the hypothesis that in relation to the sectoral allocation of resources and structural transformation of the economy, movement of agricultural terms of trade plays an important role. A rising agricultural terms of trade has a serious repercussion on the growth rate of the industrial sector and the economy as a whole. The study explored that:

a) The agricultural terms of trade have shown a fluctuating trend till 1962-63, but have moved constantly upward since 1964-65. Such a movement is the outcome of the disproportionate growth of the agricultural sector as compared to the growth rate of demand for agricultural products. Till 1962-63, this real factor contributed importantly and emerged as the main factor affecting the movement of agricultural prices. At the same time the spectacular activities of the traders and farmers have also been important in aggravating the prices situation.

b) The prices of industrial products rose more due to the cost-push factors than to demand push factors.

c) The rise in money wages, prices of raw materials and excise and corporate taxes have been the main factors contributing to the rise in prices of industrial products.

d) The rising agricultural terms of trade has led to a redistribution of income from non-agricultural sectors to the agricultural sector, and hence, depressed the rate of saving and tax revenue of the Government.

e) The rate of saving has decelerated with the upward movement of the agricultural terms of trade and so long as the terms of trade were favourable to the non-agricultural sector, the rate of saving remained high.

f) Due to the upward movement of the agricultural terms of trade, the agricultural commodities prices have risen hence, the expenditure on food has also risen by the consumer creating a less demand for industrial products.

g) Because of rise in money wages and cost of production in the industrial sector the rate of profit has also been declined which in turn has affected the rate of investment and production adversely.

h) The rising agricultural terms of trade has produced favourable affects on the rate of Capital formation and

4. Singh Mukhlal: “Sectoral Terms of Trade and Economic Growth in India”, Indian Dissertation Abstract, Vol 1, No 4, 0
production in the agricultural sector but the effect of price rise was not so significant due to low price-elasticity of agricultural production.

5. Chishti made an attempt to study the long-term movement of the terms of trade of India for the period 1930-68. In her attempt to study the affects of the movements of the terms of trade on balance of trade, it was found that out of the 38 cases cited, the movement of the gross barter terms of trade and the balance of trade was negative in 12 cases and positive in 26 cases as regards the net barter terms of trade and balance of trade, in 17 cases their movement was positive in 21 cases negative. On the basis of the past behaviour of the terms of trade, she predicted that the movements in India’s terms of trade are not going to be very considerable in future, since India is expected to export more of manufactures which are not subject to very wide cyclical fluctuations in prices.

6. Pitre examined the trend in India’s imports over the period 1960-61 to 1974-75, having classified the data on the basis of composition and economic categories. He found that:

a) Imports of manufactured goods and machinery and transport equipment accounted for more than 50 percent of total imports of India in 1960-61.

b) Over the years, the index of total imports shows an increase of 21 percent. The growth has not been smooth, however, it has been marked by some fluctuations. The first phase, which lasted till 1967-68, is characterised by a study increase in imports, while in the subsequent period the imports show a great deal of fluctuations.

c) Food and live animals imports recorded more than 100 percent increase between 1960-61 and 1966-67. Thereafter it started falling steeply.

d) Imports under manufactured goods classified chiefly by material showed a trend of general decline till 1970-71. Imports of machinery and transport equipment show a generally a declining trend since 1965-66.

e) Imports of other commodity groups, viz., mineral fuels, lubricants and related products, animals and vegetable oils and fats, and chemicals increased in varying magnitudes. Marked increase is seen in imports of commodity groups such as petroleum and products as well as animal oils and fats and these commodity groups exerted a great deal of influence from 1966-67 onwards.

5. Chishti Sumitra; “India’s Terms of Trade, 1930-68”, Orient Longman Ltd., New Delhi, 1974.
f) In 1960-61, the proportion of intermediate goods in total imports was about 50 percent. Raw materials constituted significantly larger proportion of imports under intermediate goods.

g) Imports under intermediate goods reached a peak in 1972-73. It was higher by 55 percent. During the last two years imports under this category showed decline. In 1967-68, imports under consumer goods, finished goods shows a continuous increase as against the decline in imports under food, cereals and edible products in the later part of the period. A substantial increase in imports under medicinal and pharmaceutical products contributed largely to the increase under finished goods.

h) Among intermediate goods, imports under raw materials steadily increased over the years. Increase in the number of commodities, e.g. crude fertilisers, non-metalliferous ores, petroleum products, led to an increase in the imports under raw material. Metal imports which showed a declining trend changed its course after 1970. Imports of capital goods classified into parts and finished goods show a rising trend till 1996-67. Since then there has been a sharp decline in the imports of parts, and the index dropped to 32 in 1974-75. Imports of finished goods do not show a steady trend.

7. Mehta and Moore tried to isolate and analyse the various components of the balance of trade of India during the period 1950-51 to 1976-77. The statistical technique to separate the balance of trade elements was adopted from Auten. On the basis of the statistical analysis of the changes in the balance of trade of India, they concluded that on the whole, the terms of trade effect (TOTE) contributed towards the deterioration of the change in trade balance (CTB) while the quantity component (QC) contributed towards the improvement of the CTB during the period 1950-51 to 1976-77. Both the components of QC and TOTE have caused substantial variation in the CTB. The TOTE had a relatively greater unestablishing effect on the CTB. The unfavourable TOTE were partly the result of insufficient diversification in the commodity composition of exports which reflects a higher proportion of few primary products. Another reason for the unfavourable TOTE for India was the concentration of her trade with a few developed markets. On the basis of his findings he suggested for diversification both in commodity composition of exports and in export markets which will be of considerable help in stablising TOTE and QC. Moreover, concern for the performance of export industries must become an integral part of Indian economic planning.

8. Mukherjee made an attempt to examine the behaviour of the determinants of purchasing power of India’s

export, over a period of more than two decades, 1958-59 to 1978-79. He considered two determinants of the purchasing power of exports in his study viz., gains from trade and quantum index of exports. His study revealed that-

I. The purchasing power of exports increased steadily over the period 1958-59 to 1974-75 and there after alternated between rises and falls from 1975-76, i.e., after the collapse of the global boom purchasing power of exports depicted an oscillatory path with distinct decremental overtones. The decremental overtones in the alternating behaviour of purchasing power of exports after 1974-75 occurred because of the collapse of the worldwide inflation, leaving India’s terms of trade in a precarious position. As a result, the purchasing power of exports could not be maintained at a high level consistently.

II. The purchasing powers of India’s exports over the period of study, was more strongly influenced by gains from trade, than by exports quantum.

III. The gains from trade for India increased over the period 1959-60 to 1969-70 and oscillatory there after till 1974-75. From 1974-75, the gains from trade declined in the years 1975-76 to 1978-79 so much that it really turned into losses from trade.

IV. The quantum of exports increased except in the years 1971-72 and 1975-76, when there was a drop in exports by volume.

9. K.Kameswara Rao made an attempt to identify the factors influencing the movements in India’s exports covering the period 1968-69 to 1978-79. He arrived at the conclusion that the availability of foreign exchange earning was not a major constraint on the level of total imports realised during the period. Import regulation, though they could have changed the pattern of imports, have not restricted the total volume of imports that could obtain as reflected in the demand for them through real imports. There is evidence that there is some success in import substitution efforts. Aggregate imports into India have a high income elasticity while the demand elasticity for exports of Indian goods with respect to world income is quite low and on the export front income (or demand) elasticities differ for different industrial products. Further, export promotion incentives have the desired effect. On the basis of his findings he suggested that it is more useful to concentrate India’s export promotion efforts in those areas where such elasticities (demand or income) are high. India should keep a price advantage to be competitive in the international markets and to achieve a high growth rate in exports. Further he suggested that export promotion incentives are to be used in a selective way.

10. Da Costa and Trivedi estimated net barter terms of trade through Paasche method and current value weight method for the period 1969-70 to 1979-80. Their estimation based on the data collected from monthly statistics of the Foreign Trade of India (DGCIS). They concluded that there is a deterioration in India’s terms of trade.

11. In his attempt to study the effect of terms of trade on trade balance, Mukherjee observed that the total changes in the balance of trade due to terms of trade have not been very high consistently.

12. R. Kannon made an attempt to quantify the instability in exports and imports and to analyse the contributing factors for the period 1956-57 to 1979-80. And the whole period has been divided into two sub-periods, viz.; 1956-57 to 1965-66 and 1966-67 to 1979-80. He used Coppock’s instability index to quantify the instability and found that -

I. Instability in the value of exports and imports has increased in 1966-67 to 1979-80 as compared to the period 1956-57 to 1965-66. The increase in instability is mainly due to the increase in the instability of respective unit value indices.

II. Though the instability of manufactured products was higher than that of primary products in the first period, instability in the export of primary products considerably influenced the instability in total exports.

III. The commodity concentration for exports has decreased reflecting diversification in India’s export. The import concentration has however, increased in the second period. The increase in import concentration is due to the oil price hike since the seventies.

IV. The mean coefficient of geographic concentration of exports in the second period is less than the mean coefficient of the first period. Declining trend in the coefficient has been witnessed over the two periods. However, the rate of decline is more pronounced in the second period as compared with that of the first period. The success of India’s trade to penetrate into other new markets is mainly responsible for the decline in GC coefficient of exports.

V. The mean coefficient of geographic concentration of imports is less in the second period than that of in the first period. There was an increasing trend in this coefficient in the first period and a declining trend in the

second period.

VI. Neither commodity concentration nor geographic concentration is a significant factor influencing instability in exports. But commodity concentration and not geographic concentration of imports is a significant factor in both the periods influencing import instability.

VII. Fluctuation in domestic supply is not a significant factor in making exports receipts more unstable. External demand factors are mainly responsible for causing instability in export unit values and therefore, export values.

On the basis of his findings he suggested for the diversification of exports by developing new products and new markets as it can reduce instability in export receipts so long as trade in different commodities and with different countries does not change in unison. The effect of diversification is greatly reduced, if it were so. To reduce fluctuations in primary commodity exports, the country may enter into international commodity agreements of schemes as it is already doing in respect of certain commodities. Another measure to maintain the export demand of primary commodities is through the maintenance of buffer stocks.

13. Dhindsa and Manindar investigated the growth and diversification of India's engineering goods for the period 1960-61 to 1978-79. Export data were taken from the Handbook of export statistics published by the Engineering Export promotion council, Calcutta. The degree of concentration was measured by Gini coefficient of concentration to study the extent of diversification both commodity-wise and country-wise. The study concluded that the share of engineering goods in the total export of India increased from 0.52 percent in 1956-57 to 12.5 percent in 1978-79. The growth rate of engineering exports for the periods, 1960-61 to 1969-70 and 1970-71 to 1978-79 were 28.2 percent and 29.6 percent, respectively while for the period 1956-57 to 1959-60, it was only 12.7 percent. Besides this, there have been radical changes both in the direction and composition of engineering exports. The export base has been diversified with the inclusion of more and more commodity-groups being exported to a wider range of markets. Both the commodity concentration and geographic concentration indices show a declining trend over the period, confirming diversification of engineering exports. However, it diversified more in direction than in composition.

14. R.S. Tiwari made an attempt to examine the competitiveness of India's export in the framework of constant Market share model covering the period 1970-77. The competitiveness of India's export was examined

at one digit SITC product-group and the information was collected from the secondary sources, which includes the various volumes of Commodity Trade statistics and Monthly statistics of Foreign Trade of India. In view of the availability of the information, 29 Foreign markets were considered in the study. He concluded that during the period 1970-77, the overall India’s export increased by 181.33 million US $ on account of favourable competitiveness. But the analysis of product-wise competitiveness showed that in the traditional group, export of Food and Live animals, Crude materials inedible except Fuels, Minerals Fuels lubricant and related materials were uncompetitive but the exports of Beverages and Tobacco, Animal Vegetable oils and Fats and Manufactured goods classified by materials were competitive. In the non-traditional group, all export sectors were competitive. These were: Chemicals, Machinery and transport equipment and Misc., Manufactured articles. Therefore, from policy point of view, he suggested that more incentives need to be given in the manufacturing commodities in general and the non-traditional products in particular.

15. Kannan made an attempt to analyse the factors that have influenced the performance of exports of different agricultural commodities from 1981-82. The analysis revealed that from 1968-69 to 1981-82, exports of agricultural commodities fared slightly better than total exports resulting in an improvement in their share from 30 percent to 32 percent. Among food and live animals, the performance of tea, cashew kernels and oil cakes was not satisfactory, occupied an intermediate position. Almost in the case of all the commodities considered in the study increased unit value was primarily an important factor in achievement of higher export earnings, although it was more pronounced in the case of oil cakes, sugar, tea and cashew kernels. In respect of rice, marine products, coffee, spices, raw cotton and tobacco (unmanufactured) quantum increase was also a reinforcing factor. The export of rice, sugar and raw cotton were subjected to considerable instability. Only for sugar there was no significant trend. The exports of rice, fish and fish preparations, coffee and tobacco are price-inelastic. Income elasticity is high for exports to developing countries is higher than that of developed countries in respect of fish preparations, fruits and vegetables, coffee, tea and tobacco, it is the other way round for the other commodities.

16. R.S. Tiwari analysed the export performance of India during the period 1951 to 1976 concentrating on a set of selected commodities. His findings were:

1. India’s export performance measured in terms of indices of quantum and unit price showed stagnancy still 1960. Since, 1966 the performance showed signs of improvement and especially after 1966 significant quantitative achievements were recorded. The process of export expansion was accompanied by structural

changes in the commodity composition and so also in market diversification. The shift in the commodity composition took place through an increasing share of non-traditional manufactured items such as Machinery and transport equipments, Chemicals and Miscellaneous manufactured articles at 1-digit RITC classification. The market diversification took place through a decline in the share of traditional developed country markets and addition of new markets of the developing world. Despite these promising trends, traditional items and traditional markets occupied the major share in India's export and hence, their trade policies continued to exert the major influence on the export performance. The export performance though in terms of the rates of growth and structural changes showed promise, the achievement did not, however, adequately meet the increasing import requirements. The growth of imports was much higher than that of exports with the result, the balance of trade remained unfavourable and over time showed widening gaps. It was also found that India's export expansion was unable to capture the increasing world trade.

II. The analysis concluded that the domestic demand pressure acted as a limiting factor on India's export expansion.

III. Overall, India had comparative advantage in the traditional commodity groups; however, some non-traditional items were also seen to have potential for export in terms of revealed comparative advantage.

IV. The poor export performance should be explained in terms of the Joint effect of external as well as internal factors. Despite favourable competitiveness of manufactured goods in the world market, the external demand factors depressed the rate of growth of India's export in manufactured goods. The competitive power of India's export was substantial in non-traditional markets, than in traditional markets though the latter group still remained the major market for India's export.

V. India's export was extremely inelastic with respect to price and moderately inelastic with respect to income of the importers.

VI. In the background of the above findings the analysis suggested that to improve India's export performance efforts have to be made to enhance the level of output by removing the major production constraints and appropriate action is needed to provide selective policy incentives to manufacturers in order to increase the output level. Attention however, needs to be paid towards restructuring the export incentives schemes on a selective basis and to enhance their proper utilization for efficient export. There is the need to integrate trade policy, production planning, in order to have efficient export based on comparative advantage. And exploration

for cooperation with other developing countries in the form of cartelization on resources based products is also needed.

17. Mukherjee made an attempt to study the relationship between export and economic growth in the case of India for the period 1951-81. She starts with the hypothesis that an increase in the growth rate of export will accelerate the economic growth rate. The empirical investigation fails to accept in a decisive manner that an increase in the growth rate of exports will lead to a higher increase in the growth rate in national income. An explanation for this inability on the part of the exports to accelerate economic growth may be because of the fact that the expansionary effect on income brought about by export growth, is largely lost in the high import spending since import are looked upon as leakages from the income stream.

18. Manmohan Agarwal analysed the export performance of India for the period 1965-80. To place India’s performance in the context of the operation of the world economy he compared it with a sample of thirteen developing countries with both a substantial industrial sector and manufactured exports. Five of these countries - Argentina, Brazil, Chile, Colombia and Mexico - are in Latin America and the other eight - Hong Kong, Korea, Malaysia, Pakistan, Philippines, Singapore, Taiwan and Thailand - are in Asia. In his analysis he used UN data and export performance was studied using the constant market share model. He found that India’s share of various regional markets had decreased during the period 1965-80. There has been a greater decline in India’s share of world exports of manufactures than in India’s share in world exports of agricultural products. India has experienced a particularly large decline in her share of world export of manufactures to developing countries. The decline in India’s share of world exports that has occurred over the period 1965-80 has been mainly due to the competitiveness factor. Comparing India’s export performance to that of a number of other developing countries in Asia and Latin America he concluded that India’s export performance is at variance with that of the developing countries. Most of them increased their share of world exports particularly in the case of manufactures. An increased proportion of exports from sample countries went to LDCs in the post 1973 period. His analysis found that price factors did not explain India’s performance and so deduce that non-price factors might be responsible for the decline in India’s share.

19. Das and Pant made an empirical analysis of India’s exports using the trade data for the period 1960-80. They found that commodity diversification has little to promote earnings stability though geographical diversification seems to have been in the right direction.

20. Narinder Kumar and K.C. Singhal studied the commodity-wise export instability of India for the period 1970-71 to 1979-80, using Coppock's instability index. He found that there existed instability in India's export earnings during the period 1970-71 to 1979-80. Among the commodities studied, the traditional exports have shown highest degree of instability followed by non-traditional and the iron-ore and concentrates.

21. Bhattacharya examined the import intensity of exports during the period 1973-74 to 1979-80. He concludes that the import intensity has increased for many sectors and the policy of export liberalisation has been successful in India.

22. Siddharthan estimated the causality between export performance and imported raw material requirement for the period 1982-83 to 1987-88. Larger Public Limited companies have been considered using Reserve Bank of India data for two periods, viz., 1982-83 to 1984-85 (representing pre-liberalisation period of the mid-1980's) and 1985-86 to 1987-88 (representing post-liberalisation period of mid-1980's). He finds that the impact of import liberalisation policies on export performance among large firms to be "at best mixed".

23. Manoj and G.S.Kushwaha analysed the Indo-US trade on the basis of commodity concentration and also examined structural characteristics of India's exports and imports with US. The role of different type of commodity groups in exports, affecting India's export earnings along with the major commodity groups affecting India's import from US was also examined. In their study with SITC data covering the period 1966-1986, they measured the degree of concentration by the GINNI COEFFICIENT OF CONCENTRATION. They concluded that -

I. Indo-U.S. Trade is in diversification process in both export and import.

II. Domination of food articles in exporting sectors is gradually declining.

III. Basic manufacturing sectors is converting into manufacturing section.

IV. Mineral fuel group is also an important group in Indian exporting sectors now.

V. The machinery, transport equipment and chemical related products including manufactured fertilizers, have maintained their dominance over Indian imports from US except for few abnormal years when wheat was imported.

24. R.K. Das tried to measure commodity-wise, country-wise and commodity-country-wise contributions towards overall instability in exports earnings of India for the period 1956-57 to 1984-85. He arrived at the conclusion that the total export instability declined over the period from 1956-57 to 1984-85, with a sharp fall during 1975-85, mainly because of the commodity diversification and introduction of an exchange rate system based on a basket of currencies. The geographical diversification on the other hand, had not contributed much towards reducing export instability. Due to increased instability and high relative proportionate contributions of exports to non-major countries argued for more exports to major countries. Among the selected commodities, the instability of exports of tea and jute had increased and that of export of cashew and kernel, tobacco, coffee, leather and machinery and transport equipment had declined. Country-wise, the instabilities of exports to the UK, Australia, Japan and F.R.G. had declined and that of exports to the USA, USSR and Canada has increased.

25. Sharma estimated the relationship between export performance and imported raw material requirement in an input-output Framework. He finds that the rank correlation coefficient between sectoral export growth and their respective import intensities to be very high at 0.94 for the period 1983-87.

26. Kantawala examined the growth of India’s exports of primary commodities and that of manufactured commodities and change in share of developed, underdeveloped, NIC, OPEC and USSR in exports of primary and manufactured commodities, respectively during the period 1970-71 to 1980-81. He concluded that Indian exports have increased by 33.76 percent per annum during the period under consideration Indian exports of manufactured commodities has increased at a faster rate in comparison with that of primary commodities. There has been a structural change in Indian exports of primary commodities with reference to various countries between 1970-71 and 1980-81.

The share of developed countries in Indian exports of primary commodities has declined from 59 percent in 1970-71 to 40 percent in 1980-81.

The share of underdeveloped countries, OPEC and USSR has increased from 12.38 percent in 1970-71 to 18.14 percent in 1980-81, 3.45 percent in 1970-71 to 10.96 percent in 1980-81 and from 21.87 percent in 1970-71 to 28.48 percent in 1980-81, respectively.

There has been a structural change in the Indian export of manufactured goods between 1970-71 and 1980-81. The share of miscellaneous manufactured goods, in total exports of manufactured goods to developed countries has increased. On the other hand, the share of machinery and transport equipments in the total exports of manufactured goods to under developed countries has increased.

The share of developed countries, underdeveloped countries and NIC has declined in the total Indian exports between 1970-71 to 1980-81, where as it has increased in the case of OPEC and USSR.

27. Mani estimated that Net Foreign Exchange Inflow Rate (NFIR) for large public companies during 1982-83 to 1988-89. He finds that the dependence of exports on imports has increased substantially, between Pre-liberalisation period (1982-83 to 1984-85) and Post-liberalisation period (1986-87 to 1988-89).

28. A study by the Export-Import Bank India shows that the index of import intensity increased from 21.2 percent in 1980-81 to 41.7 percent in 1988-89 but declined to 38 percent in 1989-90, for the manufacturing sector.

29. Taposh Chakravorty investigated the structure of the Indian economy and its gearing for the period 1986-87. He found that during the colonial era India was made to become a supplier of primary commodities to the European masters. In the mid twentieth century, towards the restructuring of colonial imperialism, India was made the ground of subcontracted light manufactures (Leather goods, Cotton yarns & Fabrics and basic chemicals) on behalf of its colonial masters. And the things remained as before till the four decades of India's 'Independence'. But with the adaptation of “export orientation" and "import substitution" policy in the fifth decade of India's Post-Colonial existence - the IMF World Banks Policy package of globalisation, Indian economy’s structure has been restructured and its export structure too has been altered. The share of primary commodities in India’s total export has declined and that of manufactured and light manufactures.

has increased. As regards to the composition of Net National Product of India the share of two other sectors viz., secondary sector and tertiary sector is increasing. So, export - gearing of India’s primary sector has been negative.

30. R.L. Pitale analysed India’s export and export policies in 1970’s and 1980’s. He found that -

I. Export policy changes since 1970-71 were in the direction of promoting exports in a basic framework of overall import substitution policy. The shift towards export promotion as a step towards outward orientation is seen in the liberal trade policy of 1986-88 and 1988-91 has provided stability to trade policy which is vital for investments decisions for export orientation of producers. The modified free trade policy has created an environment conductive for export growth.

II. It has been found that a strengthening of institutional support for making export incentives more effective is needed.

III. The manufactured merchandise exports have increased substantially.

IV. The export intensity of sectors such as leather and leather products, other manufactures, other textiles, electrical and non-electrical machinery, plastics, other chemicals and motor vehicles is high through their share in total gross output is low. These nine export products whose export intensity is high constitute 50.14 percent of total export but their share in gross output is only 17.26 percent in 1984-85. Thus, there is a vast scope to increase export intensity of the remaining export products.

V. The analysis of export determinants shows that India’s export growth during 1070-71 to 1984-85 and sub-periods 1070-71 to 1976-77 and 1977-78 to 1984-85 were positively influenced by changes in foreign exchange rate, export subsidies and imports.

VI. Export subsidies and foreign exchange rates have a positive effect on export growth.

VII. The sectoral level export growth shows that the share of exports of small scale Industries (SSI) and large scale Industries (LSI) i.e. rest of the economy in their respective outputs is about 5 percent. In case of SSI, the proportion of non-traditional export is higher as compared to LSI.

VIII. The study of the exports of the selected firms reveals that exports constitute a major share of 5 percent.

of their total sales. Only a few firms are contributing more than 20 percent of their total sales towards their exports.

IX. The econometric analysis undertaken shows that as far as the export competitiveness and orientation of the firms are concerned, a lot needs to be done. Export incentives appear to be a very significant factor responsible for export orientation and competitiveness.

31. An empirical study by Dhokia, Dhokia and Kumar has shown that the import-intensity of export-oriented sectors is higher than the import-intensity of the rest of the economy. They have applied two alternative measures of import-intensity, viz., a.) imported input in relation to total inputs used for tradable and b.) proportion of imported input to the value of exports. The weighted average of these ratios for the 10 export-oriented sectors has been found to be 7.96 percent as against the national average of 4.99 percent. In sharp contrast, the weighted average for 10 export-oriented sectors on the basis of the second measure worked out to 3.48 percent as against the national average of 2.19 percent.

32. K.G. Sahadevan analysed India's balance of payment performance during 1980-81 to 1990-91. His analysis aimed at:-

I. Studying the external sectors.

II. Analysing the external sector experiencing considerable stresses and strains for a prolonged period during 1980's.

III. Portraying the external payment position of India during the last one decade.

IV. Sorting out the causes of perennial balance of payment deficits.

He found that:-

I.) During the 1980's there was a persistent pressure on BOP due to extensive import liberalisation. There was a fall in net invisible receipts, due to rising repayment of loans including those due to the IMF. Persistent current account deficit, growing debt and rising debt burden all have contributed to the growing sickness of India.

India’s external sector inspite of more attention having been paid to it in the process of overall planned development.

II.) Towards the end of sixth plan there was a remarkable improvement despite the severe inflationary pressure and unfavourable trading environment.

III.) During the sixth five year plan (1980-85) the average growth rate of exports was 13 percent which rose to an average of 19.8 percent in the seventh five year plan (1980-85) Average growth rate of imports was 13.9 percent for which rose to 16 percent for 1985-90 period.

IV.) As a percentage of GDP imports increased from an average of 8.4 percent in the sixth five year plan to 8.7 percent in seventh plan. Exports increased from 5 percent in the sixth plan to 5.2 percent in the seventh plan.

V.) There has been a persistent increase in India’s trade deficit which may be attributed to high import intensity of exports, liberalised trade policy, increasing oil prices and steady depreciation of the Indian rupee.

VI.) The share of primary commodities in the total export which was more than 50 percent in 1965 fell below 30 percent in 1989. And the share of fuels increased from 5 percent in 1965 to 17 percent in 1989. And the share of manufactures increased.

VII.) Import of food items which contributed 22 percent of total import in 1965 declined to 8 percent in 1989 and the shares of fuels increased from 5 percent in 1965 to 17 percent in 1989.

VIII.) There is also a marked shift in the direction of its (India’s) trade. OECD countries continue to be the major market of India’s export with an increased share of around 53 percent in 1989-90 from around 46 percent in 1980-81. There is a declining trend in the share of East European countries in export. Eastern Europe constituted around 22 percent of the India’s exports beginning of 1980 which has fallen to less than 19 percent towards the end of 1980’s.

IX.) OECD countries share in the total import of India increased from 45.7 percent in 1980-81 to 57 percent in 1989-90. There is a declining trend in the share of Eastern Europe. It has fallen from around 10 percent in 1980-81 to around 8 percent in 1989-90.

Veena, Suryaprakash and Achoth made an attempt to analyse the changing direction of Indian coffee exports in the framework of first order Markov model covering the period 1965-90. Using the transitional probability matrix, market shares of Indian coffee exports to major importing countries were projected up to 2000 AD. The analysis has shown that India could not retain its previous market share to the USA, Netherlands, Yugoslavia and Italy. But the actual quantity exported to all these countries has increased. This may be due to increased quality of Indian coffee exports. India has retained its previous market share to the USSR, West Germany and Others. West Germany and Italy preferred Indian coffee in the world market. The bulk of the coffee exported to USSR was under bilateral agreement. But the future is not bright for this segment of export in the light of the developments in the erstwhile USSR. The projections indicate that the proportion of Indian coffee exports to USA, Yugoslavia, the Netherlands and other importers shows a declining trend. This trend coupled with the disintegration of the USSR calls for steps to sustain the total export of coffee. This may be achieved by way of capturing the markets of the CIS and finding new markets in the world, apart from sustaining the existing markets.

Arora and Tiwari made an attempt to analyse composition, performance and growth of India's agricultural trade during the period 1960-89. The analysis shows that India’s export of agricultural commodities, in value terms has increased by 202.5 percent during the last three decades. The percentage increase was found to be above average in case of live animals, meat and meat preparations, feeding stuffs and beverages and tobacco commodity groups. India’s import of agricultural commodities, on other hand, has declined by 44.5 percent during the same period. The decline is mainly attributable to a sharp decline in import of commodities like cereals and crude materials, but the imports of commodities in all other commodity groups are found to have increased. India’s agricultural export earnings have grown at double the annual compound rate (6.68 percent) at which import expenditure on agricultural imports is found growing (3.30 percent). The growth rate of country’s agricultural trade is, however, lower than that for Asia and the world as such. The growth rates for India’s export of live animals, meat and meat preparations, cereals, miscellaneous food, and beverages and tobacco are found to be higher than those for Asia and the world. These are the commodities, along with fruits and vegetables in which India enjoy a comparative advantage in the global market. Fruits and vegetables are other commodities whose global market is expanding very fast and in which India has a comparative advantage. Emphasis is required to be laid on the exports of value added products rather than on primary products for capturing a significant share in the growing global market for agricultural commodities.

Jeromi and Nagarajan examined the price competitiveness of India’s pepper exports vis-à-vis major

competitors during the period 1965-91, by using regression model, in double-log form. The results of the regression analysis reveal that India's peeper exports, to a great extent, is influenced by her export price, especially during the eighties. The relative prices, in terms of her competitors, were found to be negatively associated with India's exports. It implies that any increase in India's export price or any decline in the prices in the competitors tend to reduce India's export. It was found that a one percent increase in weighted relative price will lead to a more than one percent decline in India's exports. Among the competing countries, Indonesia was found to be the dominant competitor of India, followed by Malaysia. Inter-temporal analysis reveals that during the seventies, India faced higher degree of competition from her competitors. During the eighties, India's export price and relative price, in terms of Indonesia had highly influenced her exports.

36. Khatkar, Singh and Singh investigated the volume of export of rice and wheat and the price behaviour of these two commodities at the national and international levels during three time periods, triennium ending 1972-73 (period I), triennium ending 1982-83 (period II) and triennium ending 1982-83 (period III). The study also examined the extent to which the farmers are protected / disprotected if they have to compete with the international prices by estimating the nominal coefficients (NPC) with respect to procurement prices, farm harvest prices and wholesale price. To examine the relationships of export with other variables, correlation coefficients were worked out with respect to production, support price, international price, wholesale price, production cost and domestic consumption. The study has used relevant data from different sources. The study revealed that the export and production of rice and wheat have increased during the last two decades with the exception of about 11 percent decline in the export of rice in period III over period II. The export as a percentage of production has registered a slight decline by about 0.12 percent in period II over period I in the case of wheat and by 0.50 percent in the case of rice in period III over period II. A similar trend was observed in India's share in total world export. The international prices were found higher than the domestic prices, thereby showing that the farmers were disprotected and taxed. This is further testified by the NPC which remained below unity. The lower NPC also indicated after 1987-88, wheat and in the eighties in general, rice have become efficient exportable commodities. The non-significant relationship between export and international prices show the adhocism and non-Judicious export policy in regard to these commodities.

37. Singh and Vasisht made an attempt - I.) to examine the temporal changes in the composition of major exportable agricultural commodities / groups and their growth performance in terms of export values, quantum and unit value of exports, II.) to identify the newly emerging agricultural commodities for future

exports and III.) to project their estimated quantum of exports in 2000 and 2005 AD. The results of the study revealed that the share of export value of agricultural and allied products in the total value of exports declined over the period. The export commodity complex of major agricultural commodities has been changing significantly during this period. During the eighties, the major exportable agricultural commodities were tea, coffee, cashew and kernels, spices and tobacco. But in recent years, i.e., 1991-92 and 1992-93, marine products, oilcakes and rice were the main products exported. Besides these, fruits and vegetables, processed foods, meat and meat preparations are the newly identified non-traditional agricultural commodities for export. The results further confirmed the fact that the exports earnings from the oilcakes and marine products increased at a faster rate mainly due to large expansion of their volume of exports but for rice and tobacco, the export values rose due to a sharp increase in their unit values.

The quantum of exports of main products, namely, oilcakes, rice and marine products is projected to be 8.16, 2.16 and 0.68 million tons, respectively in 2000 AD and is expected to increase in 2005 AD.

38. Bhole, Nighot and Mahalle examined the trend in the export of cotton from India and the gap between domestic and international prices of cotton for the period 1970-71 to 1990-91. Their analysis revealed that India’s share in world cotton export increased from 2.61 percent in 1980-81 to 6.09 percent in 1990-91. Export prices of cotton were found to be 9.47 to 71 percent higher than the price in the domestic market during the period. There has been a positive and significant growth trend in the export of cotton yarn, cotton fabrics particularly in the decade ending 1990-91.

39. Grover, Rai and Yadav made an attempt to examine India’s position in the World trade and the impact of liberalisation on agricultural exports and more importantly, to identify the potential commodity groups for export. The result of the study revealed that the post-liberalisation period has been marked with an increase in the export of agricultural commodities especially Basmati rice, oil meals, meat and meat products, marine products, fruits and vegetables. As against this, the export of some of the traditional commodities like tea, coffee and prices has declined perhaps due to falling international prices.


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1989 and 1990, respectively). The tables have been used at current prices, with eighteen sector Classification Scheme. Having measured the import effect, income effect and input effect of the exports in an input-output framework, the study concludes that over the period 1951-52 to 1983-84, import intensity of exports doubled, the income intensity has almost halved and the input intensity behaved in more or less erratic manner and did not show any marked increase. Thus the contribution of exports has been decreasing over the period considered. The reason for this seems to be a shift in favour of non-traditional exports. His study identified certain sectors the export of which would benefit the domestic economy the most are ‘Food’, Drinks and Beverages, Textiles, Agriculture which are traditional exports and ‘Non-metallic Minerals’ which is non-traditional export and ‘Leather and Rubber’. Finally his study claimed that the export promotion efforts which were exclusively focused. On the non-traditional exports, have neither expanded the overall exports at a higher rate nor have they benefited the domestic economy, rather the movement has been reverse.

41. Dhindsa and Amripreet investigated the growth of cotton textile exports and the factors which influence the export growth of textile products of India covering the period 1970-90. They found that India shows a declining trend in export of cotton textiles during the decade of 70’s. Her relative share has also declined from 5.51 percent during 1973-75 to only 3.41 percent at the end of 70’s decade. There was significant growth in export during the decade of 80’s. Cotton textile exports increased rapidly in the mid-eighties after the introduction of new textile policy of 1985, which stressed on modernisation and rehabilitation of the textile industry. The relative share of India in world market also improved after 1985. Price as well as non-price factors have their impact on the competitiveness of exports and the resultant export performance. Lower level of automation as compared to her competitors rising cost of production, lack of modernisation, in appropriate policy measures and lower level of quota utilisations are factors responsible for the poor export performance of Indian cotton textiles. Because of high profitability of selling textile products in the domestic markets as against foreign market, producers have tended to sell bulk of textile products in the domestic market and thus leaving very little production for the foreign market.

42. Kumar tried to analyse the role of terms of trade to determine the rate of savings, capital formation and foodgrains production in the Indian economy for the period 1964-90. Further to work out their relationship both the linear and log-linear forms of equations separately for the two periods namely 1964-75 and 1975-90 were used. His analysis revealed that the terms of trade do not affect the level of national savings in the period of 1964-75, but in the period of 1975-90, the terms of trade has a significant impact on the national savings. National Income constitutes to be the crucial parameter determining the level of savings in the

period of 1975-90. Further, the terms of trade had an adverse effect on the capital formation in the period of 1964-75 as well as in the period of 1975-90. The food grains production is not significantly influenced by the terms of trade.

The study concludes that savings are determined by National Income and terms of trade whereas the capital formation is dependent on savings, investment and national income. However, savings are mainly influenced by the consumers' propensity to consume and save. Since savings and capital formation are closely linked, therefore, the savings and capital formation are closely dependent on the development of the farming sector in our country. In this context, efforts should be made to increase the agricultural and industrial production.

43. Ramakrishna made an attempt to examine the impact of trade liberalisation both on exports and imports of India and the causality between exports and imports separately with GDP by using Multiple Rank F-Test for the period 1960-90. The whole period is divided into two sub-periods viz., 1960-73 and 1974-90. He arrived at the conclusion that trade liberalisation had a positive impact on both exports and imports. There exists unidirectional as well as positive causation between exports and GDP in India. And the causation between imports and GDP seems to be directional indicating the importance of both in influencing each other.

44. Kantawala examined linear and exponential trend in India’s terms of trade at aggregate level as well, at disaggregate level during 1969-70 to 1989-90. He also made an attempt to estimate an index of revealed comparative advantage (RCA) of different commodity groups to examine the effects of revealed comparative advantage on terms of trade. He applied Trend stationary process model (TSP) as well as Difference stationary process model (DSP) to examine the exponential trend in the terms of trade. He arrived at the conclusion that India did not experience deterioration in its net barter terms of trade during the period under consideration. The terms of trade is observed to be trend less for all commodity groups except beverages and tobacco and animal and vegetable oils and fats. The terms of trade has improved in case of animal and vegetable oils and fats whereas that of beverages and tobacco has deteriorated. The index of RCA has improved in case of chemicals and miscellaneous manufactured products, whereas that of manufactured goods chiefly classified by materials has deteriorated. The negative impact of revealed comparative advantage is observed on terms of trade of a country.

45. Sathe examined the export intensity of a sample consist of 1,521 Indian industries, the import intensity of
their exports and the direct cost of technology imports for the period 1989-90 to 1992-93. She found that -

I. The import intensity of exports has declined from 10.9 percent in 1989-90 to 8.9 percent in 1992-93. The share of imported raw material in the total raw material consumed has fallen over the period. This points towards import substitution having taken place. The correlation coefficient between export and imported raw material consumed by them, though high, has decreased from 0.64 percent in 1989-90 to 0.59 percent in 1992-93. Thus, the relationship between exports and imported raw materials seems to have weakened over the period.

II. The export intensity of the sample has increased from 4.3 percent in 1989-90 to 6.2 percent in 1992-93. The increase has been quite substantial in the case of traditional exports.

III. The import intensities at industry level have fallen in most cases, except for diamond cutting/trading. High import intensities are observed in chemical industries and capital good industries for all the years.

IV. The direct cost of technology imports rate (DCTR) has increased slightly from 1.15 percent in 1989-90 to 1.65 percent in 1992-93.