CHAPTER - 7

SUMMARY, CONCLUSION AND SUGGESTIONS
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7.1 In modern age, international trade is assumed an engine of economic growth and development. It facilitates vast international market with unlimited opportunities, technological advancement, competitive and efficient allocation of resources into units of economic size. It translates the agrain and traditional economy into the modern industrialized economy. It expands entrepreneurship and tertiary sector also. Hence, it is a great stimulus for growth and development.

International trade has great importance for Indian economy. In the year 2000-01, the contribution of trade is 22.58 percent of the GDP. Thus, more than one-fifth share of GDP is obtained from the trade sector. It constitutes the life-line of the Indian economy.

Foreign trade plays a crucial role in the economic development of a country. Observing the performances of the 'East Asian Countries' India has also opened its economy by introducing "Economic Reforms in the year 1991 and Indian Economy is linked with the Global economy. India has completed the First Phase of Economic Reform in Ninety decade. Now, India has determined to introduce Second Phase of Economic Reforms" in the New Millennium. Hence, international trade has become crucial issue in Indian Economy.

Organization for Economic Development and Cooperation (OECD) was established on 30th Sep.1961. The OECD replaced the Organization for European Economic Cooperation (OEEC), whose original tasks- the administration of Marshall Plan aid and the cooperative effort for European recovery from World War II had long been completed, though many of its activities had continued or had been adjusted to meet the needs of economic
expansion. By the 1960s the once seemingly permanent dollar gap had disappeared, many quantitative restrictions on trade within Europe had been eliminated, and currency convertibility had been largely achieved. This increased economic interdependence suggested the need for an organization in which North American States would participate on an equal footing. Thus the OEEC, of which Canada and the United States had been only associate members, were transformed into the OECD. It later expanded to include virtually all the economically advanced free-market States. The member countries of OECD as follows: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Republic of Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, USA. The aim of OECD is to coordinate the welfare policies of the member countries and also to induce member countries for promoting welfare activities in their respective economies.

More than 50 percent of our total trade is recorded with OECD countries. Changes in the trade between OECD countries and India will affect our trade and national economy. Therefore, we have selected the topic for research and detail study. The study has been divided into three parts:-

(i) India's Export, Import and Balance of trade with OECD countries for the period 1970-71 to 1979-80, this period is also known as Pre-Earlier Period.

(ii) India's Export, Import and Balance of trade with OECD countries for the period 1980-81 to 1989-90, this period is also known as Pre-Economic Reforms Period.

(iii) India's Export, Import and Balance of trade with OECD countries for the period 1991-92 to 1999-00, this period is also known as Post-Economic Reforms Period.
The basic objectives of the study are as follows:

(i) To find out growth and trend of import, export and balance of trade of India with OECD countries at constant prices during 1970-71 to 1999-00 period.

(ii) To analyse the share of OECD countries in imports and exports of India during the study period.

(iii) To find out the impact of Post-Liberalization Policy on Import and Export of India on total trade and share of OECD countries in trade during the study period.

(iv) To find out the India's trade with major trading countries of OECD like USA, UK, Germany, Japan and France during the period.

(v) To find out the direction of trade to different regions during the period.

(vi) To find out the drawbacks of the foreign trade of India with OECD countries and suggest measures to improve the balance of trade position of India with OECD countries.

The present study is entirely based on secondary data collected from the various issues of Economic Survey of Government of India and Handbook of Statistics on Indian Economy, 2000 RBI Govt. of India has made the year 1993-94 as the new base year therefore adjustment has been made in the price index of 1970-71. To find out the amount of Indo-OECD export and import at constant prices the amount of export and import have been deflated taking 1993-94 price index as base year.

To find out the rate of increase in Indo-OECD export and import, Compound growth rate (CGR) has been worked out. Arithmetic mean and Coefficient of variation have been used to find out the variation in Indo-OECD export and import during the whole study period and in various sub-periods. The
percentage and the annual growth rate of Indo-OECD export, import and trade-balance have been also worked out. The Net barter terms of trade, and "Student's 't' test" have been also calculated. Besides this, trade trends have been also analysed.

HYPOTHESIS FRAMED

We have made following hypothesis :-

1. Hypothesis No.1 to be tested in Indo-OECD Export:

   It is assumed that the export growth rate has increased rapidly in the Post-Liberalization period as compared to Pre-Liberalization period.

   In our test the calculated value of 't' 0.78 is found less than the table value 2.11 at 17 degree of freedom in 5 percent level of significance. So, the difference is found insignificant. Thus, the null hypothesis is accepted and our proposed hypothesis is found wrong.

2. Hypothesis No.2 to be tested in Indo-OECD Import:

   It is accepted that the import growth rate has declined in the Post-Liberalisation period as compared to Pre-Liberalisation period. The calculated value of 't' - 0.13 is found less than the table value 2.11 at 17 degree of freedom in 5 percent level of significance. So, the difference is found insignificant. Hence, our null hypothesis is found correct and our proposed hypothesis is wrong.

3. Hypothesis No.3 to be tested in Indo-OECD Balance of Trade:

   It is assumed that the Balance of trade has improved in the Post-Liberalisation period as compared to Pre-Liberalisation period.

   The calculated value of 't' 0.34 is found less than the table value 2.11 at degree of freedom 17 in 5 percent level of significance. So, the difference is found
insignificant. Thus, our null hypothesis is found correct and our proposed hypothesis is also found wrong.

4. **Hypothesis No.4 to be tested in Indo-OECD Export - Import ratio:**

It is assumed that the Export -Import Ratio has improved rapidly in the Post-Liberalisation period as compared to Pre-Liberalisation period.

The calculated value of ‘t’ 10.70 is greater than the table value 2.11 at 17 degree freedom in 5 percent level of significance. So, the difference is found significant. Hence, our null hypothesis is found wrong so it is rejected and our proposed hypothesis is found correct and it is accepted.

5. **Hypothesis No.5 to be tested in Indo-OECD Export Percent in GDP:**

It is assumed that the percentage share of export in GDP has increased rapidly in the Post-Liberalisation period as compared to Pre-Leberalisation period.

The calculated value of ‘t’ 7.15 is greater than the table value 2.11 at 17 degree of freedom in 5 percent level of significance. So, the difference is found significant. Hence, our null hypothesis is found wrong and it is rejected and our proposed hypothesis is found correct and accepted.

6. **Hypothesis No.6 to be tested in Indo-OECD import percent in GDP:**

It is assumed that the percentage share of import in GDP has also increased in the Post-Liberalisation period as compared to Pre-Liberalisation period.

The calculated value of ‘t’ 6.63 is greater than the table value 2.11 at 17 degree of freedom in 5 percent level of significance. So, the difference is found significant. Hence, our null hypothesis is found wrong and our proposed hypothesis is found correct.
7. **Hypothesis No. 7 to be tested in Indo-OECD B.O.T. in GDP:**

   It is assumed that the percentage share of Balance of Trade in GDP has improved in the Post-Liberalisation period as compared to Pre-Liberalisation period. The calculated value of 't' 0.11 is less than the table value 2.11 at degree of freedom 17 in 5 percent level of significance. So, the difference is found insignificant. Thus, our null hypothesis is found correct and our proposed hypothesis is also found wrong.

8. **Hypothesis No. 8 to be tested in Indo-OECD Trade GDP:**

   It is assumed that the percentage share of Indo-OECD Trade GDP has improved in the Post-Liberalisation as compared to Pre-Liberalisation period.

   The calculated value of 't' 6.89 is greater than the table value 2.11 at degree of freedom 17 in 5 percent level of significance. So, the difference is found significant. Hence, our null hypothesis is found wrong and it is rejected and our proposed hypothesis is found correct.

   Thus, we find that though the growth rates of exports and imports both have increased in Post Reforms period, however, the balance of trade do not improved during the Post Economic reforms period.

**Limitations of the study:**

(i) The year 1991 is excluded from the study because it was abnormal year in which the country was facing the severe crisis of Balance of Payment.

(ii) The period 1970-71 to 1979-80 is not included for the whole study period because, the trade amount of OECD countries are found in dollar terms during the period 1970-71 to 1979-80 but 1980-81 to 1999-00 are found in Rupee terms.
Commodity wise Export & Import of OECD countries are not available. So, we have not analysis the commodity-wise Export & Import to India from OECD countries.

7.2 From the analysis India's Export, Import and Balance of trade with OECD countries during the period 1970-71 to 1979-80, it appears that:

1. India's export to OECD countries has increased from 1332.14 US $ million in the year 1970-71 to 5169.65 US $ million in the year 1979-80. It reveals 2.88\textsuperscript{th} fold increase in India's export during the period and the growth rate is registered 17.07 percent annually. While, India's import from OECD countries has increased from 1755.58 US $ million in the year 1970-71 to 6545.09 US $ million in the year 1979-80. It reveals 2.73\textsuperscript{rd} fold increase in India's import during the period and the growth rate is registered 16.21 percent annually. Thus, the growth rates of exports is found higher than the growth rates of imports.

However, the balance of trade of India has unfavourable and it has increased from 423.44 US $ million in the year 1970-71 to 1375.44 US $ million in the year 1979-80, it has become favourable 84.42 US $ million and 559.54 US $ million, respectively in the year 1975-76 and 1976-77.

2. The export-import coverage ratio has risen from the level of 75.88 percent in the year 1970-71 to 78.99 percent in the year 1979-80. Hence, it reflects the improvement in buying capacity of India in international trade during the period 1970-71 to 1979-80.

3. The percentage shares of Export of India to OECD countries in GDP has increased from 2.32 percent in the year 1970-71 to 3.67 percent in the year 1979-80. While, the percentage shares of import of India from OECD countries in GDP has also increased from 3.05 percent in the year 1970-71 to 4.65 percent in the year 1979-80. However, the
percentage share of balance of trade of Indo-OECD in GDP has increased from -0.74 percent in the year 1970-71 to -0.98 percent in the year 1979-80, but the percentage share in GDP is positive of 0.09 and 0.59 in the year 1975-76 to 1976-77.

4. The percentage shares of the USA, UK and Japan in the export of India which are 13.68 percent, 11.07 percent and 13.22 percent, respectively in the year 1970-71, have declined to 9.94 percent, 7.88 percent and 10.02 percent, respectively in the year 1979-80. Hence, the percentage share of these countries in the total export of India has declined.

5. The percentage shares of Germany and France in the total export of India which are 2.08 percent and 1.17 percent, respectively in the year 1970-71, has increased to 5.91 percent and 3.05 percent, respectively. Hence, the percentage shares of these countries in the total export of India has increased.

7. The percentage share of USA in the total import of India which is 27.29 percent in the year 1970-71 has declined to 11.04 percent in the year 1979-80. While, the percentage shares of UK, Japan, Germany and France in the total import of India which are 7.71 percent, 5.63 percent, 6.55 percent and 1.29 percent have increased to 8.20 percent, 6.78 percent, 7.59 percent and 2.19 percent, respectively in the year 1979-80.

However, Balance of trade of India to five major countries of OECD has unfavorable and it has increased from Rs.159 crore in the year 1970-71 to Rs.911 crore in the year 1979-80.

8. The percentage shares of exports of India to USA, UK, Japan, Germany and France in GDP have increased from 0.49 percent, 0.40 percent, 0.48 percent, 0.08 percent and 0.4 percent, respectively in 1970-71 to 0.58 percent, 0.46 percent, 0.59 percent, 0.35 percent and 0.18 percent, respectively in the year 1979-80.
9. The percentage shares of Import of UK, Japan, Germany and France have also increased from 0.30 per cent, 0.22 per cent, 0.25 per cent and 0.05 per cent in the year 1970-71 to 0.69 per cent, 0.57 per cent, 0.63 per cent and 0.18 per cent respectively in the year 1979-80. But the percentage share of Import of USA has declined from 1.05 per cent in 1970-71 to 0.92 per cent in 1979-80.

10. The export - import coverage ratios of USA, Germany and France have risen from the level of 45.09 per cent, 29.91 per cent and 85.71 per cent in the year 1970-71 to 63.23 per cent, 54.61 per cent and 98 per cent respectively in the year 1979-80. While, the export - import coverage ratios of U.K. and Japan have declined from the level of 134.92 per cent and 220.65 per cent, respectively in the year 1970-71 to 67.47 per cent and 54.61 per cent, respectively in the year 1979-80.

7.3 From the analysis India’s Export, Import and Balance of Trade with OECD countries during the period 1980-81 to 1989-90 it appears that:

1 India’s export to OECD countries has increased from Rs. 1,153 crore in the year 1980-81 to Rs. 9,863 crore in the year 1989-90. It reveals 7.55 fold increasing during the period. And the growth rate is recorded 26.15 per cent annually. While, India’s import from the OECD countries has increased from Rs. 2,118 crore in the year 1980-81 to Rs. 13,533 crore in the year 1989-90. It reveals 5.39 fold increase during the period and the growth rate is recorded 22.04 per cent annually. Thus, the growth rate of exports is found higher than the growth rates of imports.

However, the balance of trade of India is unfavourable and it has increased from Rs.965 crore in the year 1980-81 to Rs. 3,670 crore in the year 1989-90. It reveals 2.80 fold increase during the period because
the amount of imports is much higher than the amounts of the exports. Therefore, the trade deficits by 2.80th fold during the period.

2. The export – import coverage ratio has increased from 54.44 percent in the year 1980-81 to 72.88 percent in the year 1989-90. It shows 18.44 percent improvement in the terms of trade: However, the trade balance is unfavorable to India because the amount of imports in the initial year 1980-81 is nearly twice of the export's amount and the amount of imports in the year 1989-90 is nearly one and half fold of the amount of imports.

3. The percentage shares of exports of India to OECD countries in GDP has increased from 0.29 percent in the year 1980-81 to 1.49 percent in the year 1989-90. While, the percentage shares of import of India from OECD countries in GDP has also increased from 0.52 percent in the year 1980-81 to 2.05 percent in the year 1979-80. Hence, the percentage share of balance of trade of Indo-OECD countries is unfavourable, it is increased from -0.24 percent in the year 1980-81 to -0.56 percent in the year 1989-90.

4. The Trade-GDP ratio of Indo-OECD has also increased from the level of 0.81 percent in the year 1980-81 to 3.54 percent in the year 1989-90 because the partial liberalisation in trade was introduced since the year 1985-86.

5. The percentage share of USA in the export of India, which is 11.07 percent in the year 1980-81 has increased 16.16 in the year 1989-90. While, the percentage share of USA in the total import of India has marginally increased from 12.10 percent in the year 1980-81 to 12.20 percent in the year 1989-90.

6. The percentage shares of export of India to Japan, Germany and France have increased from 8.91 percent, 5.74 and 2.19 percent, respectively in
the year 1980-81 to 9.85, 6.42 and 2.30 percent, respectively in the year 1989-90. On the contrary, the percentage share of import of Japan, Germany and France have also increased from 5.97, 5.53 and 2.23 percent in the year 1980-81 to 7.96, 7.76 and 4.55 percent respectively, in the year 1989-90.

7. The percentage share of export of India to UK has declined from 5.89 percent in the year 1980-81 to 5.79 percent in the year 1989-90. On the contrary, the percentage share of import of India from UK has increased from 5.83 percent in the year 1980-81 to 8.40 percent in the year 1989-90.

However, the balance of trade of India to five major countries is unfavourable and it has increased from Rs.1,705 crore in the year 1980-81 to Rs. 3,197 crore in the year 1989-90.

8. The share of OECD countries in the total export of India has increased from 46.58 percent in the year 1980-81 to 53.26 percent in the year 1989-90. While, the share of OECD countries, in the total import of India has increased from 45.74 percent in the year 1980-81 to 57.10 percent in the year 1989-90.

9. The share of OPEC in the total export of India has declined from the level of 11.10 percent in the year 1980-81 to 6.65 percent in the year 1989-90. While, the share of OPEC in the total import of India has declined from 27.80 percent in the year 1980-81 to 14.33 percent in the year 1989-90.

10. The share of Eastern Europe in the total export of India has declined from 22.14 percent in the year 1980-81 to 19.28 percent in the year 1989-90. While, the share of Eastern Europe in the total import of India has declined from the level of 10.33 percent in the year 1980-81 to 8.44 percent in the year 1989-90.
11. The share of Developing countries in the total export of India's has declined from the level of 19.16 percent in the year 1980-81 to 15.34 percent in the year 1989-90. While, the share of Developing countries in the total import of India has increased from 15.67 percent in the year 1980-81 to 17.03 percent in the year 1989-90.

12. The share of Others in the total export has increased from 1.01 percent in the year 1980-81 to 5.47 percent in the year 1989-90. While, the share of Others, in the total import has increased from 0.48 percent in the year 1980-81 to 3.10 percent in the year 1989-90.

7.4 From the analysis India's Export, Import and B.O.T. with OECD countries during the period 1991-92 to 1999-2000 it appears that:

1. India's export to OECD countries has increased from Rs. 21,369 crore in the year 1991-92 to Rs.1,36,408 crore in the year 1999-2000. It reveals 5.38th fold increase during the period and the growth rate is 25.50 percent annually. While, India's imports from the OECD countries has increased from Rs. 21,752 crore in the year 1991-92 to Rs. 1,33,388 crore in the year 1999-2000. It reveals 5.13th fold increase during the period and the growth rates is registered 25.82 percent annually. Thus, the growth rate of imports is found higher than the growth rates of export during the period.

   However, the balance of trade of India is unfavorable and it has increased from Rs.383 crore in the year 1991 to Rs.15,365 crore in the year 1998-99. But it has become favorable of Rs. 3,020 crore in the year 1999-00.

2. The export-import coverage ratio of Indo-OECD countries has risen from the level of 98.24 percent in the year 1991-92 to 102.26 percent in the year 1999-00.
3. The Trade-GDP ratio of OECD countries also increased from 6.11 percent in the year 1991-92 to 23.44 percent in the year 1999-00. Thus, it has an increasing trend during the period and the New Economic Reforms had good and positive impact in increasing the Trade-GDP ratio.

4. The percentage share of the OECD countries export in GDP has increased from 3.03 percent in the year 1991-92 to 11.85 percent in the year 1999-00. While, the percentage share of the OECD countries import in GDP has increased from 3.08 percent in the year 1991-92 to 11.59 percent in the year 1999-00. It shows the positive impact of New Economic Policies and liberalisation of International Trade on the economy.

However, the percentage share of the Indo-OECD countries balance of trade in GDP is unfavorable. It has increased from -0.05 percent in the year 1991-92 to -1.42 percent in the year 1998-99, and it has favorable to 0.26 percent in the year 1999-00.

5. The percentage shares of the USA and France in the export of India, which are 16.35 percent and 2.38 percent, respectively in the year 1991-92, have increased to 22.70 percent and 2.45 percent in the year 1999-00, respectively. Hence, these countries in the total export of India have increased.

6. The percentage shares of the UK, Japan and Germany in the export of India, which are 6.37 percent, 9.24 percent and 7.11 percent, respectively in the year 1991-92, have declined to 5.98 percent, 4.53 percent and 4.79 percent, respectively in the year 1999-00. Hence, the percentage shares of these countries in the total export of India have declined.
7. The percentage shares of USA, UK, Japan, Germany and France in the total import of India, which are 10.28 percent, 6.19 percent, 7.05 percent, 8.03 percent and 3.17 percent, respectively in the year 1991-92, have declined to 7.69 percent, 5.78 percent, 4.99 percent, 3.95 percent and 1.56 percent, respectively in the year 1999-00.

8. The export-import coverage ratios of USA, Germany and France have risen from the level of 146.60 percent, 81.45 percent and 69.20 percent respectively in the year 1991-92 to 235.12 percent, 96.55 percent and 124.77 percent, respectively in the year 1999-00.

9. The export-import coverage ratios of UK and Japan have declined from the level of 92.70 percent and 120.62 percent, respectively in the year 1991-92 to 82.35 percent and 72.30 percent, respectively in the year 1999-00.

10. The percentage shares of export of USA, UK and France in GDP have increased from 1.22 percent, 0.48 percent and 0.18 percent in the year 1991-92 to 2.09 percent, 0.55 percent and 0.22 percent, respectively in the year 1999-00.

11. The percentage shares of export of Japan and Germany have declined from 0.69 percent and 0.53 percent in the year 1991-92 to 0.42 percent and 0.44 percent, respectively in the year 1999-00.

12. The percentage shares of import of USA, UK and Japan have increased from 0.83 percent, 0.50 percent and 0.57 percent in the year 1991-92 to 0.89 percent, 0.67 percent and 0.58 percent, respectively in the year 1999-00.

13. The percentage shares of import of Germany and France have declined from 0.65 percent and 0.26 percent in the year 1991-92 to 0.46 percent and 0.18 percent, respectively in the year 1999-00.
14. The percentage shares of the OECD countries and the Eastern Europe which were 57.86 percent and 10.93 percent, in the total export of India in the year 1991-92, have declined to 57.62 percent and 3.47 percent, respectively in the year 1999-00. Hence, during the study period, the percentage of these regions in the total export of India have declined.

15. The percentage shares of the OPEC, Developing countries and the Others countries which are 8.74 percent, 20.08 percent and 0.07 percent in the total export of India in the year 1991-92, have increased to 10.64 percent, 28.08 percent and 0.10 percent, respectively in the year 1999-00.

16. The percentage shares of the OECD countries, Eastern Europe and Others, which are 54.22 percent, 5.11 percent and 0.01 percent in the total import of India in 1991-92 have declined to 44.87 percent, 2.13 percent and 0.01 percent, respectively in the year 1999-00.

17. The percentage shares of the OPEC and Developing countries, which are 19.69 percent and 20.99 percent, in the total import of India in the year 1991-92, have increased to 23.78 percent and 29.21 percent, respectively in the year 1999-00.

7.5 From the analysis comparative study of India’s export, import and balance of trade with OECD countries during the period Pre-Economic Reforms and Post Economic Reforms it appears that:

1. India’s export to OECD countries has increased from Rs. 1,153 crore in the year 1980-81 to Rs. 1,36,408 crore in the year 1999-00. It reveals 117.31th fold increases during the period and the growth rate is witnessed 34.77 percent annually. While, the import amount from the OECD countries has increased from 2,118 crore in the year 1980-81 to Rs. 1,33,388 crore in the year 1999-00. It reveals 61.98th fold increase during the period and the growth rate is registered 29.16 percent
annually. Which is very low as compared to 34.77 percent growth rate of exports during the same period.

However, the balance of trade of India is unfavorable and it has increased from Rs.965 crore in the year 1980-81 to Rs.15,365 crore in the year 1998-99, but it has become favorable Rs.3,020 crore in the last year 1999-00.

In the Pre-Economic Reforms period, India's export to the OECD countries has increased from Rs.1,153 crore in the year 1980-81 to Rs.9,863 crore in the year 1989-90. It reveals 7.55<sup>th</sup> fold rise during the period and the growth rate has been achieved 26.15 percent annually during this period. On the contrary, imports from the OECD countries has increased from Rs.2,118 crore in the year 1980-81 to Rs.13,533 crore in the year 1989-90. It reveals 5.39<sup>th</sup> fold during the period and the growth rate is registered 22.04 percent annually. However, the balance of trade is unfavorable during this period.

In the Post-Economic Reforms period, India's export to the OECD countries has increased from Rs. 21,369 crore in the year 1991-92 to Rs. 1,36,408 crore in the year 1999-00. It reveals 5.38<sup>th</sup> fold increases during the period and the growth rate is registered 25.50 percent annually. On the contrary, imports from the OECD countries has increased Rs. 21,752 crore in the year 1991-92 to Rs.1,33,388 crore in the year 1999-00. It reveals 5.13<sup>th</sup> fold increase during the period and the growth rate is registered 25.82 percent annually.

Hence, the growth rate in export amount has been higher in the Pre-Economic Reforms period than of in the Post-Economic Reform period. However, the growth rate in import amount has been higher in the Post-Economic Reforms period than of in the Pre-Economic Reform
period. Hence, the balance of trade of India is found unfavorable in the Pre-Economic period and Post-Economic Reforms period both.

2. The export-import coverage ratio of Indo-OECD countries has risen from the level of 54.44 percent in the year 1980-81 to 102.26 percent in the year 1999-00.

   In the Pre-Economic Reforms period, it rose from the level of 54.44 percent in the year 1980-81 to 72.88 percent in the year 1989-90. But, in the Post-Economic Reforms period, it has risen from the level of 98.24 percent in the year 1991-92 to 102.26 percent in the year 1999-00. Showing the positive impact of the policy of New Economic Reforms on the foreign trade of India.

3. The Trade-GDP ratio of Indo-OECD has also increased from 0.81 percent in the year 1980-81 to 23.44 percent in the year 1999-00. In the Pre-Economic Reforms period, it rose from the level of 0.81 percent in the year 1980-81 to 3.54 percent in the year 1989-90. But in the Post-Economic Reforms period, it has rapidly risen from the level of 6.11 percent in the year 1991-92 to 23.44 percent in the year 1999-00. Hence, it also reflects the positive impact of the New-Economic Policy.

4. The percentage shares of the OECD countries export in GDP has increased rapidly from 0.29 percent in the year 1980-81 to 11.85 percent in the year 1999-00. While, the percentage share of the OECD countries import in GDP has also increased from 0.52 percent in the year 1980-81 to 11.59 percent in the year 1999-00. Hence, it exhibits the positive impact of the policy of New Economic Reforms on Indo-OECD exports and Imports during the Post-Economic Reforms period. However, the share of balance of trade in GDP has increased from the level of -0.24 percent in the year 1980-81 to -1.42 percent in the year 1998-99, but it is positive 0.26 percent in the year 1999-00.
5. The percentage share of USA in the export of India, which is 11.07 percent in the year 1980-81 has increased to 22.70 percent in the year 1999-00. Hence, the USA's share has increased in the total export of India during the whole study period. On the contrary, the percentage share of the USA in the import of India, which is 12.10 percent in the year 1980-81 has declined to 7.69 percent in the year 1999-00. Hence, the USA's share has declined in the total import of India during the whole study period. Therefore, trade balance is found favourable to India.

6. The percentage share of UK in the export of India, which is 5.89 percent in the year 1980-81 has marginally increased to 5.98 percent in the year 1999-00. Hence, the UK's share has increased in the total export of India during the whole study period. On the contrary, the percentage share of the UK in the import of India, which is 5.83 percent in the year 1980-81 has marginally declined to 5.78 percent in the year 1999-00. Hence, the UK's share has declined in the total import of India during the whole study period. Hence, the balance of trade is unfavorable to India from UK.

7. The percentage share of Japan in the export of India, which is 8.91 percent in the year 1980-81 has declined to 4.53 percent in the year 1999-00. Hence, the Japan's share has declined in the total export of India during the whole study period. The percentage share of Japan in the year 1980-81 has declined to 4.99 percent in the year 1999-00. Hence, the Japan's share has declined in the total import of India's during the whole study period. Hence, the balance of trade is unfavorable to India from Japan except the years 1994-95 and 1995-96.

8. The percentage share of Germany in the export of India, which is 5.74 percent in the year 1980-81 has declined to 4.79 in the year 1999-00. Hence, the Germany share has declined in the total export of India
during the whole study period. On the contrary, the percentage share of Germany in the import of India, which is 5.53 percent in the year 1980-81 has declined to 3.95 percent in the year 1999-00. Hence, the Germany’s share has declined in the total import of India during the whole study period. Hence, Indo-Germany Balance of trade is found unfavourable to India.

9. The percentage share of France in the export of India, which is 2.19 percent in the year 1980-81 has increased to 2.45 percent in the year 1999-00. Hence, the France’s share has increased in the total export of India during the whole study period. On the contrary, the percentage share of France in the import of India, which is 2.23 percent in the year 1980-81 has declined to 1.56 percent in the year 1999-00. Hence, the France’s share has declined in the total import of India during the whole study period. Hence, balance of trade is against to India from France except the year 1998-99 and 1999-00 respectively.

10. The percentage share of OECD in the export of India, which is 46.58 percent in the year 1980-81 has increased to 57.62 percent in the year 1999-00. Hence, the OECD’s share has increased in the total export of India during the whole study period. On the contrary, the percentage share of OECD in the import of India, which is 45.74 percent in the year 1980-81, has declined to 44.87 percent in the year 1999-00.

7.6 SUGGESTIONS:

The study of the past 30 years of the Indo-OECD trade clearly reveals that apart from 3-4 years, all the successive years show a clear deficit i.e.; the balance of trade is unfavourable to India. Hence, logically there are only two options open before us – Firstly, the reduction of imports and secondly, the promotion of exports.
As per WTO's agreement, India shall have to dismantle all the existing quota systems up to January 2005 in global trade which will increase liberalised imports rapidly in the global trade. Hence, China has become a new competitor to India in the global trade. Therefore, how to increase the exports has become a crucial and challenging issue now. In this regard, following suggestions may play an important role to equalise the imports and exports balance.

Firstly, in import side, petroleum and crude oil constitutes 27.4% and cereals and cereal preparation 4% of the total imports respectively. India can reduce the import of edible oil and pulses by increasing the production and productivity of edible oils and pulses and the imports of petroleum and crude oils may be reduced by using more and more our resources on Bombay high and setting of oil drilling Wells at Godavari delta. Thus, 10% of our total import can be easily reduced.

Secondly, the import of capital should not be reduced because it will increase the productivity of the commodity, but also increase the quality of the products and minimise the cost of production. Thus, the import of capital will increase the export potential of the nations. In the export side, the Government of India, has announced the medium term export strategy for 2002-07 to boost the export's earning from $ 46 billion to $ 80 billion by tenth five year plan and push up its share from 0.6 percent 1 percent in the Global trade. Under the Macro policies more emphasis has been given on lowering the customs and excise duties on inputs and 'appropriate' exchange rate and 'transparent' tax rebate programmes that ensure the competitive exports. These macro policies will increase the exports of the country.

Thirdly, 220 commodities are identified for export promotion, with the main markets being the US, EU and Japan, as they are now, under the new strategy. For this, more emphasis has been given on demand driven export growth and market diversification to make wider export product range.
Fourthly, the specific sectors targeted for promotion include textiles, Gems and Jewellery, agricultural products and engineering the mainstay of the export basket. To promote these sectors, special attention and weightage has been given under the export policies as cut in export credit rates, elimination of value caps for over 300 product groups and promotion of special economic zones and agri-export zones.

Fifthly, Exports have pointed to poor infrastructure and material quality, high cost of inputs including power and labour, high cost finance and inflexible labour laws as the main reasons for the poor competitiveness of the Indian industries. Hence, these drawbacks and lacuna should be abolished so that exports should be increased in the global market.

Sixthly, the greater responsibility has been also given to State Government to boost the exports by enhancing financial assistance of Rs. 4250 crore for the development of export infrastructure in the states under 10th five year plan; depending on the export performance of the states. They are asked to set up their major products.

Seventhly, Regional deals have boosted trade in America, Europe and South East Asia. Hence, India should also increase its bilateral and regional trades to the OECD countries, so that exports can be enlarged.

Of course, the key concern of exports & trade bodies is increasing competition from China, which entered the WTO in November 2001 China’s cost-competitive production, large export basket and well-diversified markets are likely to pose major challenges to India’s efforts. At foreign direct investment of $ 40 billion per year has increased its share 4 % in the World trade. India should also learn from it. The Reform processes should be enlarged. Foreign direct investment (FDI) should be increased in the World trade and deficit trade balance should be removed.

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