CHAPTER - 2

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In this chapter we have reviewed the literatures related to export, import and balance of trade of India for the period 1950-51 to 1992-93. The findings of these studies have been given below:

Clifford (1965)\(^1\) indicated that international trade helps production possibility frontier of trading economies to more outward. This is because each country is produces in accordance with its relative factor endowments (natural resources, human resources and capital and technological resources). By doing so, the pattern of a country’s foreign trade is set in tune with the law of comparative advantage where it exports those commodities which use relatively more of the factors which are in abundance and imports other items which use such factors that are scarce. To enumerate certain tangible benefits of trade amongst nations it helps to overcome the shortage of goods helps to keep price of goods down through imports, it gives access to latest technical know-how and inventions, it generates pressure from imports and pressure for dynamic changes through competitive pressure of competing for export markets it results into better allocation of resources and fuller utilization of production capacity, facilities increased exploitation of economies of scale and production pattern to be separated from the domestic demand.

Ellsworth (1969)\(^2\) revealed that the trade helps in growth efforts for example, when a country specialises in the production of a few goods and exports these commodities which it produces cheaper in exchange for what others can produce at a lower cost. It gains from trade and there is increase in national income which, in turn, raises the level of output and the growth rate of an economy.

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Thus, the higher level of output through trade tents to break the vicious circle of poverty and promotes economic development. International trade widens the market and increases the inducement to invest income and saving through more efficient allocation of resources.

Sidney (1973)³ depicted the terms of trade denote change in the gains from trade must also be quantified when the change is due to an alternation in demand. If there is shift in demand away from import commodities, stemming from a change in tastes, the consequent improvement in the terms of trade is not an unambiguous gains Sidney concludes that it is generally assumed an improvement has taken place in a country’s terms of trade.

A. B. L. Mathur (1973)⁴ 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.

Halder Animesh (1976)\(^5\) revealed that foreign trade as a 'balancing sector' of an economy will enable adjustment between production and consumption or between supply and demand. For example, if adjustment of trade keeps pace with domestic transformation and ignore changes in stocks, trade is filling the gap between consumption and production. Finally, if foreign trade in a 'Lagging Sector' of the economy, the stimulus to development is internal and trade may also slow down growth. In this case if there is any export, this would be at the expense of domestic requirements.

Soderstan (1980)\(^6\) emphasised that underdeveloped countries cannot achieve speedy economic development without trade and economic co-operation. International capital and merchandise transactions along with flow of technical know-how accelerate the pace of economic development and work as a powerful catalyst in transforming backward economies into developing and developed economies. Historical evidence have proved the utility of foreign capital beyond doubt and for most of the developed countries of today, foreign trade has really played the role of the 'engine of economic growth'.

Pitre (1981)\(^7\) 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.

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(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, India's total imports show 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 steadily increasing 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 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.

(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 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 consumes goods
finished good finished goods shows a continuous increase as against the decline in import 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 fertilizers, non-metalliferous ores, petroleum products, led to an increase in the imports under raw materials. Metal imports, which showed a declining trend changed its course after 1970. Import of capital goods classified into parts and finished goods show a rising trend till 1966-67. Since then there has been a sharp decline in the import of part, and the index dropped to 32 in 1974-75. Import of finished goods do not show a steady trend.

Mehta and Morre (1982)\(^8\) tried to isolate and analyse the various components of the balance of trade of Indian 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 relatively greater unfavourable effect on the CTB. The unfavorable TOTE were partly the result of insufficient diversification in the commodity composition of exports, which reflect a higher proportion of few primary products. Another reason for the unfavorable 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 stabilising TOTE and QC. Moreover, concern for the performance of export industries must became an integral part of Indian economic planning.

Mukherjee (1982) 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 risen 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 the world wide inflation, leaving India's terms of trade in a precarious position. As a result, the purchasing power of exports after 1974-75 occurred because of the collapse exports could not be maintained at a high level consistently.

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

III. The gains from trade of 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.

K. Kameswarad Rao (1982)\textsuperscript{10} 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 elasticities for exports of Indian goods with respect to world income in quite low and on the export front income (or demand) elasticity's 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 exports 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.

Tripathy (1985)\textsuperscript{11} depicted that the poor percentage increase in export and falling share of India's export in the World trade is the result of import substitution strategy and inappropriate factor mix in economic development. In Indian economy, there has always been growth-led exports and strategy of export-led growth has never been put to test. She neglect of the export-led strategy for industrialization is also responsible for the slow growth of the Indian economy.


\textsuperscript{11} B. N. Tripathy (1985), Export and Economic growth, the effect of Export growth on India's Economic development.
Roy (1986)\textsuperscript{12} revealed that the trading relation between India and the United States got strengthened during the seventies of the century. The major items of India’s exports to the U. S. A., traditional commodities such as mica and other industrial raw materials, and spices as well as non-traditional commodities like precious and semi precious stones, leather and leather manufactures including footwears were of special significance. The non-traditional items occupied an important place in the export list during the seventies. Similarly the imports were such that could help in India’s industrialisation as also solved the food problem in this countries. This problem was solved not only through the import of wheat but also through the import of fertilizers, which speeded up the Green Revolution in the country. India, yet the terms of trade was positive of our study showing a larger capacity of India’s export to import from the United State. India’s trade with the U. S. A. was not only significant but also it was gain some for both the partners in general and India in particular.

Mukherjee (1987)\textsuperscript{13} 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 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 leakage’s from the income stream.

Krishna Lekha (1989)\(^{14}\) revealed that the 1970 India started exploiting the dynamic markets of Western Europe and other industrialised countries and also ventured to exploit new markets in the most competitive environments. The share of India’s exports to oil exporting countries rose from 5 percent in 1972 to 15 percent in 1976 while the share of exports to East European countries fell from 22 percent in 1972 to 14 percent in 1976 and 12 percent in 1976. Japan has become an important trading partner accounting for nearly 10% of total trade. The percentage distribution of the destination of India’s export for selected years from 1970-71 to 1984-84. The economic region which is the biggest recipient of India’s export is the OECD group (45 percent of total exports in 1984-85 and 51.5 percent in 1985-86).

Narinder Kumar and K. C. Singhal (1989)\(^{15}\) 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.

Manoj and G. S. Kushwaha (1990)\(^{16}\) 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 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 STIC data covering the period 1966-1986, they measured the degree of concentration by the GINNI COEFFICIENT OF CONCENTRATION they concluded that ~

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I. Indo-U.S. Trade is in diversification process in both export and import.
II. Domination of food articles in exporting sectors in 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 and transport equipment and chemical related product including manufactured fertilizers have maintained their dominance over Indian imports from US except for few abnormally years when wheat was imported.

R. K. Das (1990)\textsuperscript{17} tried to measure commodity-wise country wise and commodity country-wise contributions towards overall instability in exports earnings 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 equipments had declined. Country-wise, the instabilities of exports to the UK, Australia, Japan and F.R.G. had declined and that of export to USA, USSR and Canada has increased.

Sharma (1990)\textsuperscript{18} 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.

\textsuperscript{17} Das R. K., "Indian Exports, Diversification and Instability", Occasional papers, RBI, Vol.11 No. 1, March 1990, PP. 47-61.
Mani (1991)\textsuperscript{19} 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-Liberatisation period (1982-83 to 1984-85) and Post-Liberatisation on period (1986-87 to 1988-89).

Taposh Chakravorty (1992)\textsuperscript{20} 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 Bank Policy package of globilisation, 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 born negative.

R. L. Pitale (1992)\textsuperscript{21} analysed India’s export and export policies in 1970’s and 1980’s. He found that –

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I. Export policy changes since 1970-71 were in the direction of promoting exports in a basic frame work 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 in 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 1970-71 to 1984-85 and sub-periods 1970-71 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 an 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 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 for 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.

K. G. Sahadeven (1992)\textsuperscript{22} 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 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 growth sickness of India’s external sector inspite of more attention having 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 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 percent.

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 market shift in the direction of 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 Indian export in the 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.

Nayyar (1994)\textsuperscript{23} depicted that the Marrakesh agreement has opened up new opportunities for Indian exports, particularly in the areas of textiles and certain agricultural items. In India, there is growing concern that the benefits of free access to the OECD market may be undermined by non-tariff barriers in the form of stringent and sometimes arbitrary environment related regulations.

Veena, Suryaprakash and Achoth (1994)\textsuperscript{24} made an attempt to analyse the changing direction of Indian coffee exports in the framework of first order Mardov model covering the period 1965-90. Using the transitional probability matrix, market shares of Indian coffee exports to major importing countries were projected upto 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 projection indicate that the proportion of Indian coffee exports to USA, Yugoslavia, the Netherlands and other importers shows a declining trend. 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.

\textsuperscript{23} Nayyar, D and A. Sen, International trade and the agriculture sector in India, Economic and Political weekly, 1994, PP.
Arora and Tiwari (1994) 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 import is found growing (3.30 percent). The growth rate of the 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 enjoys 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 in 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.

Grover, Rai and Yadav (1994) 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.

Dhanmanjiri Sathe (1995) examined the impact of diversification of the composition of exports on the various aspects of Indian economy using a static in put, output frame work for the period 1951-52 to 1983-84. He used six input-output tables for the year 1951-52 (Indian Statistical Institute, 1960) 1959 (Planning commission, 1967), 1968-69, 1972-73, 1978-79 and 1983-84 (Central Statistical Organisation) 1978, 1981, 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 frame work, 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 that domestic economy, rather the movement has been reverse.

Dhindsa and Amripreet (1995) 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 thus leaving very little production for the foreign market.

Kumar (1995) tried to analyse the role of terms of trade to determine the rate of savings, capital formation and food grains 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 land of savings, in the period of 1975-90. Further, the terms of trade has an adverse effect on the capital formation in the period of 1964-75 as well as in the period 1975-90. The foodgrains 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.

Ramkrishna (1995)³⁰ 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 imports and GDP in India. And the causation between exports and GDP seems to be directional indicating the importance of both in influencing each other.

Kantawala (1996)³¹ 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 and 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, where as 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.

Johnston (1998)32 depicted that the market integration induced by trade and investment has led to deeper forms of economy more closely tied into the global economy. Developing countries rely on OECD countries for more than 60 percent of their trade. Trade and investment between developing countries are also on the rise as more than a third of their exports now go to each other.

According to Jha (1999)33 India has turned increasingly to the OECD as its exports market. In 1993, for instance, this market accounted for 57 percent of India’s exports. The main product absorbed by this market are leather, textiles and food and agricultural products. The importance of the OECD in India’s exports makes it vulnerable to the eco-regulations established by this market. The extent of vulnerability of this products will be determined by the cost of compliance involved and access to technology required in the process.

Sharan (2001) indicated that the normal expectation from the reformed trade policy is that liberal imports will no doubt inflate the import bill, but it will make exports more competitive and will do away with the supply constraints on them. With such a trend, export earnings are expected to gradually finance a greater part of import bill. The size of trade deficit should squeeze in the sequel. In 1992-93, the growth rate of export lagged behind that of import. It 3.8 percent for export as compared to 12.6 percent for import. Trade deficit was larger by over two-fold. In fact, it was the recessionary trend in some of the industrialized countries accompanied by political and economic upheaval in the East European countries that had arrested export.

On the basis of the above review we have drawn the following conclusions:

(i) International trade has accelerated the economic development and played an important role in both developed and developing countries.

(ii) Terms of trade has been improved in favour of India. Though balance of trade in unfavourable.

(iii) India’s terms of trade with USA for the period 1950-51 to 1968-69 had favourable impact. However, the balance of trade was unfavourable.

(iv) Export promotion incentives have desired effect in the year 1968-69 to 1978-79.

(v) The gains from trade for India has been rising over the period 1959-60 to 1969-70, and oscillatory thereafter till 1974-75. From 1974-75 the gains from trade declined in the year 1975-76 to 1979-80.

(vi) The share of OECD countries in India’s export has increased from 45.74 percent in the year 1980-81 to 53.55 percent in the year 1985-86. The share has increased to 57 percent in the year 1992-93.

34. Vyuptakesh Sharan, Pre-reform Scenario, India’s External Sector Reform, 2001 PP. 31-32.

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