ABSTRACT

Exports have an important role in the economic life of any nation. For a developing country, their role is particularly significant. Of the various means available for financing imports, they are by far the better one. Besides, an increasing level of exports helps to increase productivity, allows large scale production and sets in its course a multiplier-accelerator process through expanding markets for domestic products and increasing their effective demand.

Looked at against this background, export performance of developing countries during the period 1960 to 1970 was not encouraging. In fact it was rather depressing. Exports from developing countries lagged considerably behind the growth in world exports and exports from its other regions. Consequently the share of developing countries in world exports steadily declined over the period: from 31.0 percent in 1950 to 17.6 percent in 1970. This decline was particularly marked in the case of developing countries excluding major oil exporters: from 25.3 percent to 12.7 percent. Also, the balance of trade and the terms of trade of these countries worsened in this period.

There are several factors that account for such a depressing
performance of exports from developing countries. Underlying these, however, is the basic structure of their exports. Exports from developing countries historically have largely consisted of foodstuffs and agricultural raw materials or what is commonly known as primary products. And it is for these group of products that the world demand, especially the demand of the developed countries -- the major customer for exports from developing countries -- has been either stagnant or increased at a rate much below that of increase in manufactures. The causes for the slow expansion in world demand for primary products are the low elasticity of demand for foodstuffs, agricultural protection in the industrial countries, the increased share of services in the consumer's budget, the substitution of synthetic for natural materials and the reduction of input requirements in individual industries. The problem has been further compounded by the slow rise in domestic production coupled with an expansion in domestic demand of the developing countries themselves.

Such a state of affairs calls for a diversification of exports from developing countries through the introduction of more and more of manufactured goods. This will on the one hand provide an additional means of export earnings and on the other hand eliminate or reduce the danger of wide fluctuations in export receipts. Any loss on the side of exports of primary products will be compensated or increasingly made up through the gain in exports of manufactures, world demand for which is fairly buoyant. Further, the expansion of exports of manufactures will lead to the establishment of large scale modern industries, for the
International markets added to the domestic market will permit large scale operations. The necessity of remaining competitive in international markets will exert pressure on the export industries to keep cost low and to improve the quality of the products. This will inhibit the growth of inefficient industries behind the protective tariff wall and rapid industrialization will be facilitated.

Developing countries seem to have realized the need for an expansion of their exports of manufactures. Exports of these goods from developing countries as a whole increased between the period 1955 and 1970 from $3.07 billion to $12.59 billion, or at a rate of 9.9 percent per annum. This was the rate of growth considerably well above the rate of growth achieved by their exports of primary products and overall exports in the same period. Consequently the share of manufactures in total exports of developing countries improved from about 13 percent in 1955 to 28.4 percent in 1970. However, the growth in exports of manufactures from developing countries was not steady throughout the period. The growth was rather depressing in the period 1955-60. Subsequently, it improved. For the period as a whole, exports from developing countries lagged behind the growth in world exports of manufactures and exports from the OPEC. There were also striking differences in exports from individual members of the group of developing countries.

Countries like Hong Kong, Taiwan, Israel and South Korea fared much better among the developing countries. India with 16.6 percent of the total exports of manufactures from developing countries as a whole was
the leading exporter among developing countries in 1955. But subsequently, she lost her leading position to Hong Kong even though the absolute value of her exports of manufactures increased considerably. As regards the commodity composition, exports of manufactures from developing countries have largely consisted of textiles, non-ferrous metals and miscellaneous group of commodities, although a shift seems to be taking place in favour of machinery and transport equipment and chemicals. DMEs absorbed the bulk of exports of manufactures from DEs throughout the period.

Exports of manufactured goods from India in this period also tended to include increasingly non-traditional items like engineering goods and chemicals. Exports of traditional items like jute manufactures increased in absolute value but their relative significance in total exports of manufactures from India declined over the period. Exports of cotton textiles declined both in absolute and relative terms. Exports of leather and leather manufactures while doubled in absolute term, their relative share remained more or less constant. By contrast, exports of engineering goods and chemicals increased considerably both in absolute and relative terms.

However, the value of exports of engineering goods and chemicals was very small both absolutely and in relation to the total exports of manufactures from India. As compared to world exports of these items, Indian exports were insignificant. Also exports of engineering goods and chemicals formed a very small part of total domestic output of these goods.
Further much of the increase in Indian exports of these goods was directed to the developing countries and the East European countries. The contribution of the DMEs, as importers of these goods was very small. In the case of chemicals, exports directed to a number of the developed countries declined both relatively and in absolute value.

The main factors that inhibit the growth of India's exports of manufactures to the DMEs are the high cost of manufactures, poor quality of the products, high shipping freight and absence of adequate and regular shipping, lack of goodwill among the buyers in the DMEs about India's capacity to supply manufactured goods and to maintain the supply over a period of time and poor packing. These in turn are the results of varying factors. For example, the high cost of production generally stems from the factors like the low level of capacity utilisation, small size of the units of production, high cost of raw materials, components and accessories, low productivity, high cost of finance, taxation and cost of transport. The poor quality of the products results from the poor quality of inputs available to the industries, lack of quality consciousness among the producers and the shortage of required technology to produce quality goods. Similarly the problem of high shipping freight rates arises due to the distance that lies between India and the markets of the developed countries of the West and lack of modern port facilities in India. There is also the absence of adequate and regular shipping.

If these problems are removed, the markets of the developed countries of the West offer great prospects for Indian exports of
manufactures. Markets for manufactured goods in the developed countries are expanding fast. Moreover, with improved technology production in developed countries has been becoming increasingly complex and sophisticated. In the case of chemicals it has been noticed that due to the growing hazards of pollution, some developed countries have been abandoning the manufacture of a large number of chemical items. Further, due to the high labour cost, manufacturing processes in the developed countries have been becoming more and more automated. India has, therefore, good prospects for exporting products involving relatively higher labour content.

To cultivate these markets fully, however, India should plan properly. Economic environment of the developed countries should be carefully watched and the markets that offer good sales prospects for Indian manufactures should be identified. This involves market surveys, sending study teams and trade delegations to find out the potential of the foreign markets.

Once these markets are identified, adequate attention should be given to the development of products for export to them. We must bear in mind that our exports of manufactures face a buyer's market in these countries. Their preferences are much different from those of buyers in India and in other developing countries. Therefore, the products should be adapted, modified and developed in line with the requirements of the buyers in developed countries. As a matter of fact, export-oriented products development is a vital necessity for introducing and establishing
our exports of manufactures to the developed countries of the West. In India industries have developed mainly on account of domestic considerations with relatively little attention to the price and quality of the products. Banning of imports often eliminates competition from foreign suppliers and leads to a situation where whatever is produced can be sold. Therefore, if India wants to increase her exports of manufactures especially to the DMEs, sufficient conditions shall have to be created where industries can give meticulous attention to the price and quality of the products.

Likewise special attention needs to be paid to the developments of shipping and modern port facilities in India while in the DMEs an aggressive salesmanship is required. This will help in projecting the image of a new resurgent India with a modern engineering and chemical industry in the DMEs. Cooperation should also be sought with the developed countries where the developed countries may concentrate on the production of sophisticated goods leaving the intermediaries or components involving less capital and technology to be manufactured in India.

All these can, however, be achieved only if the expansion of exports of manufactures to the developed countries continues to hold the pride of place that it has acquired in India's developmental plans in recent years and an adequate and efficient machinery to achieve it is sustained.