Market Prospects and Problems for Indian Exports

There has been a substantial diversification of markets for Indian exports during the plan period. The share of EFTA (European Free Trade Association) and North America in our export trade has gone down considerably between 1951-52 and 1970-71 while those of Eastern Europe, ECAFE and Asia has gone up.

The following Table shows the changing trends in regionwise distribution of Indian exports (vide next page).

The share of EFTA region including UK, our most important traditional market, came down from first rank in 1951-52 to fourth rank in 1971-72 while the ECAFE region rose from second place in 1951-52 to first rank in 1971-72. North America accounting for 20.9 percent of our total exports in 1951-52 retained its third rank in 1971-72 too but her share in total exports slumped down to just 15.4 percent. Eastern Europe accounting for only 1.2 percent of our total exports in 1951-52 rose from
Table 3.1: Regionwise Diversification in Indian Exports

<table>
<thead>
<tr>
<th>Ranking according to value</th>
<th>1951 - 52 Region</th>
<th>Percent in total exports</th>
<th>1970 - 71 Region</th>
<th>Percent in total export</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>EFTA</td>
<td>28.0</td>
<td>ECAFE</td>
<td>26.6</td>
</tr>
<tr>
<td>2.</td>
<td>ECAFE</td>
<td>24.6</td>
<td>Eastern Europe</td>
<td>23.8</td>
</tr>
<tr>
<td>3.</td>
<td>North America</td>
<td>20.9</td>
<td>North America</td>
<td>15.4</td>
</tr>
<tr>
<td>4.</td>
<td>Africa</td>
<td>7.2</td>
<td>EFTA</td>
<td>12.4</td>
</tr>
<tr>
<td>5.</td>
<td>Latin America</td>
<td>6.3</td>
<td>Africa</td>
<td>9.1</td>
</tr>
<tr>
<td>6.</td>
<td>EEC</td>
<td>5.9</td>
<td>EEC</td>
<td>6.4</td>
</tr>
<tr>
<td>7.</td>
<td>Asian Countries</td>
<td>3.2</td>
<td>Asian Countries</td>
<td>4.7</td>
</tr>
<tr>
<td>8.</td>
<td>Other European Countries</td>
<td>1.7</td>
<td>Other European Countries</td>
<td>0.8</td>
</tr>
<tr>
<td>9.</td>
<td>Eastern Europe</td>
<td>1.2</td>
<td>Latin America</td>
<td>0.5</td>
</tr>
<tr>
<td>10.</td>
<td>Other American Countries</td>
<td>1.0</td>
<td>Other American Countries</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Source: Derived from Monthly Statistics of the Foreign Trade of India Vol. I various issues - Government of India, Department of Commercial Intelligence and Statistics.
Regional Distribution of India's Exports
For 1951-52 and 1970-71

PERCENT

FFTA ECAF North Africa Latin America EEC Asian Other Countries European Europe American Countries

30 25 20 15 10 5 0
ninth rank to second rank and accounted for 23.8 percent of our total exports in 1971-72. Asian countries retained their seventh rank between 1951-52 and 1971-72 but their share in our total exports increased from 3.2 percent to 4.7 percent during the same period. The position of Africa and Latin America shows a decline from fourth and fifth rank to fifth and ninth respectively during the above period. The share of Africa in our total exports has however gone up slightly from 7.2 percent in 1951-52 to 9.1 percent in 1970-71 but that of Latin America has gone down steeply from 6.3 percent in 1951-52 to just 0.5 percent in 1970-71. The share of other American countries and other European countries in our total exports also shows a decline during the same period. It is necessary to find out the causes for the decline in our export performance in some of the traditional markets. Concerted steps must be taken up to boost up our exports in those areas.

A countrywise analysis also shows some interesting trends with regard to our exports during the first twenty years of planning.

The following Table shows the changing position of our export markets comprising the first ten important countries between 1951-52 and 1970-71 (vide next page).
Table 3.2: Countrywise Diversification Trends in India's Exports

<table>
<thead>
<tr>
<th>Rank</th>
<th>According to value</th>
<th>1951-52 Country</th>
<th>Percent in total Exports</th>
<th>1970-71 Country</th>
<th>Percent in total Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>United Kingdom</td>
<td>26.8</td>
<td>USSR</td>
<td>13.9</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>United States of America</td>
<td>18.6</td>
<td>Japan</td>
<td>13.5</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Australia</td>
<td>6.6</td>
<td>United States of America</td>
<td>13.3</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Burma</td>
<td>2.8</td>
<td>United Kingdom</td>
<td>11.7</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Pakistan</td>
<td>2.7</td>
<td>U A R</td>
<td>3.8</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Ceylon</td>
<td>2.5</td>
<td>Yugoslavia</td>
<td>2.6</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Argentina</td>
<td>2.5</td>
<td>Sudan</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Canada</td>
<td>2.3</td>
<td>Germany</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Japan</td>
<td>2.2</td>
<td>Ceylon</td>
<td>1.9</td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>Singapore</td>
<td>1.7</td>
<td>Iran</td>
<td>1.8</td>
<td></td>
</tr>
</tbody>
</table>


It is clear from the above table that our dependence on the traditional markets like the U.K. and the U.S.A. has been reduced while our exports have found new markets in the USSR, the UAR, Sudan, Iran,
Yugoslavia and Germany. The first two ranks held by the UK and the USA in 1951-52 were taken by the USSR and Japan in 1970-71. The percentage of exports to these two countries has also slumped down considerably while USSR which did not appear in the first ten important trading partners in 1951-52 rose to first place in 1970-71 and Japan increased her share from 2.2 percent in 1951-52 to 13.5 percent in 1970-71. Countries like Australia, Burma, Pakistan, Argentina, Canada and Singapore have disappeared from the first ten countries during these years while their places have been taken up by UAR, Yugoslavia, Sudan, Germany and Iran. The percentage share of Ceylon in our export trade has declined from 2.4 to 1.9 though she retains her position in the first ten important importers from India.

Prospects and Problems

Let us analyse the prospects and problems of Indian exports in various important regional markets in the world.

The Western European Market

The Western European market consists of the countries under European Free Trade Association (EFTA),
The European Economic Community (EEC) and others. The EEC countries constitute the largest trading block in the world with the entry of UK, Denmark, and Ireland in 1973. The former six members of the EEC with $120 billion themselves accounted for about 31 percent of the world imports ($385 billion) and with $125 billion 34 percent of the world exports (at $372 billion). India's exports to EEC amounted to only 1.8 percent of the total exports of the EEC and 0.6 percent of the world exports in 1972. During the first decade of planning India's trade with EEC has risen by about 125 percent. EEC is still an important trading partner of India both in terms of trade with Western Europe and other trade with the world. EEC accounted for about 54 percent of India's imports from and nearly 33 percent of its exports to West Europe and accounted for 12 percent of India's total imports and 7 percent of her total exports in 1970-71.

There has been a rapid expansion in the world trade of the EEC and the West Europe. India's imports from the EFTA region were 43 percent of her total imports from West-Europe. Exports were 63 per cent of her total exports to the West-Europe. EFTA region accounted for 12 percent of India's global exports and 10 percent of her global imports. UK accounts
for nearly 90 percent of India's exports to the EFTA region and 81 percent of her imports from the EFTA.
The predominence of EEC and EFTA in India's trade relations has been eroded due to the changing structure of the Indian economy and the newly emerging economic relations with other countries. There was a good deal of complementarity in the economies of India and the EFTA wherein India was a supplier of raw-materials and a lucrative market for the finished products of the EFTA countries. This has been changed considerably in recent years due to the high level of industrialization achieved under the stimulus of economic planning. India's exports to EEC and EFTA consist of traditional items such as spices, leather, tobacco manufactured, hides and skins, cashewkernels, lac, jute manufactures, coir manufactures, oilcakes, mica, iron ore, etc. and also some non-traditional items including engineering goods, medicinal and pharmaceutical products, chemical elements and compounds, footwear, clothing, pearls and precious and semiprecious stones, etc.

Impact of Economic Integration in EEC on India's Export Trade:
The process of economic integration in the EEC has come a longway. They have a common external tariff (CET) and commercial policy regulating trade with the
outside world on the one hand and they have dismantled internal tariffs and other barriers to trade among the member countries on the other. The EEC countries successfully formulated the common agricultural and transport policies. They are currently engaged with the formation of monetary union with a common currency for the members. The foreign trade of the EEC has scaled new heights. Intra-EEC trade accounts for the major portion of the expansion in their total trade. Intra-EEC trade increased five times as against two times with the third countries in 1970. After the entry of UK and other countries the share of EEC in world trade has gone up to 33 percent.

The above developments have direct implications on the export prospects of developing countries including India. The recent decline in India's share in the imports of these countries clearly suggests that India has been experiencing trade deficits continuously with the EEC during the first 20 years of the plan period. It can be noticed that the trade deficit with the EEC has been more than India's total exports to that region since 1954-55. India and other developing countries have to surmount tariff and other import restrictions in the EEC. The exports of traditional goods from India are beset with the problem of declining demand,
viz., tea, jute and pure cotton textiles. Added to these difficulties are the failure in manufacturing goods of the quality needed in these countries and also our incapacity to raise our capabilities to match the demands made by the EEC countries.

The magnitude of these problems is quite substantial. But it has been reduced to some extent through the Generalised System of Preferences (GSP). The G.S.P. is a system based on the principles of non-discriminatory and non-reciprocal preference for the exports of developing countries. The main objectives are to increase the earnings from these exports to promote industrialisation and to accelerate the economic growth of developing countries including India. India is likely to benefit from this system. With her large industrial base and with world trade trends shifting from primary commodities to manufactured and semimanufactured products India has a good opportunity to compete with other developing countries in the common market. Under GSP India will have duty free access to this market for exports of industrial products. She will also get preferential tariffs for certain agricultural products.
India's entry in EEC as an exporter of engineering goods has demonstrated her ability to enter the highly sophisticated and competitive markets. Her ability to compete in these labour intensive products rests on her low cost labour.

India can also foster some sort of economic cooperation with the countries of the EEC. She should strive for removal of non-tariff barriers which are still existing in the EEC in the form of import ceilings, product classification and quotas, altogether hampering growth of India's exports to them. India can also try for concluding comprehensive bilateral trade agreement with these countries and also for setting up joint ventures the products of which could be exported to third countries to the mutual advantage.

India and the EEC have signed in December 1973 the Commercial Cooperation Agreement (CCA). Under Article 16 of the agreement India will be compensated for the loss of Common Wealth Preferences as a result of UK's entry into the EEC. This agreement provides for the establishment of a joint commission to sort out various problems associated with trade between India and the EEC. The agreement will be in operation for five years.
It is automatically renewable on yearly basis on the expiry of the period. It provides for modifications at any time taking into account new situations and evolutions of new policies with mutual consent of the two parties. The joint commission is vested with wide powers to plan the trade between the two parties on a long term basis. The commission is authorised to set up sub-commissions for evolving policies for overcoming (1) trade barriers - both non-tariff and quasi-tariff, (2) rectifying imbalances and to (3) recommend progressive changes in the patterns of trade and marketing.

India’s trade with Spain, Finland, Turkey, Greece and Irish Republic account for nearly 92 per cent of trade with the other West European countries. India’s exports to Irish Republic and Turkey consist mainly of tea and jute manufactures while other exports to Spain include a wide varieties of goods like oilcake, manganese ore, gums and resins, lac, groundnut oil and jute bags. An acceleration in the growth of incomes in this region is likely to rise the propensity to import and India should try to capitalise on this trend. There is need for diversifying our exports to these countries since the bulk of our exports consist of traditional goods.
In recent years some new products such as footwear and engineering goods have entered some of these markets.

There is good scope for industrial collaborations with these countries. Government of India approved 127 collaborations with Sweden, Austria, Denmark, Finland and Norway between 1957 and 1971. Most of these collaborations are in the field of engineering industries, pulp and paper making plants, for building fishing vessels, and pharmaceuticals, etc. Export efforts must be stepped up with these countries as a part of the general policy of market diversification.

Countrywise Prospects of India's Exports in the Western Europe

UNITED KINGDOM

In terms of exports from India United Kingdom is the third largest trading partner next only to USSR and USA. It held the first rank since 1947 until recently because of our old ties with that country. But the position is altered in recent years. Imports from India into UK have been showing a continuous decline. This is clear from Table 3.3.
### Table 3.3: India's Exports to West European Countries (million rupees).

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>2019.7</td>
<td>2290.3</td>
<td>2008.3</td>
<td>1642.4</td>
<td>1704.3</td>
</tr>
<tr>
<td>West Germany</td>
<td>243.9</td>
<td>222.8</td>
<td>265.0</td>
<td>298.9</td>
<td>323.1</td>
</tr>
<tr>
<td>France</td>
<td>181.5</td>
<td>155.4</td>
<td>199.9</td>
<td>217.0</td>
<td>179.9</td>
</tr>
<tr>
<td>Italy</td>
<td>153.4</td>
<td>176.1</td>
<td>180.6</td>
<td>129.0</td>
<td>140.1</td>
</tr>
<tr>
<td>Netherlands</td>
<td>117.6</td>
<td>129.8</td>
<td>153.3</td>
<td>111.8</td>
<td>139.8</td>
</tr>
<tr>
<td>Sweden</td>
<td>29.9</td>
<td>34.2</td>
<td>45.6</td>
<td>51.9</td>
<td>59.7</td>
</tr>
<tr>
<td>Switzerland</td>
<td>43.3</td>
<td>58.6</td>
<td>67.3</td>
<td>76.1</td>
<td>73.6</td>
</tr>
</tbody>
</table>

**Source:** Derived from various statistical tables in *Trading with the world: Indian Institute of Foreign Trade New Delhi.*

The major commodities of imports from India are tea, tobacco unmanufactured, leather, cotton piece goods (mill made), oilcakes, textile yarn, hessian cloth, pearls and precious and semiprecious stones.

UK's import policy is liberal. She has been an advocate of the removal of artificial trade barriers. Commonwealth products entered UK free of duty till recently. But the commonwealth preference is bound to be scrapped.
after the tradition period due to her entry into the EEC in 1973. She has to follow the common external tariff (CET) as per the EEC's commercial policy. This is bound to affect our exports to this most important traditional market. The Indo-UK Agreement of 1939 under which all goods of Indian origin were allowed duty free entry into UK will stand cancelled.

India's exports to UK have declined considerably during the last decade. There is therefore a need for diversifying our exports. We should try to increase exports of nontraditional commodities such as engineering products, chemicals and allied products, basic chemicals, leather and leather manufactures and automobile components and accessories. Products requiring intermediate technology have good prospects in UK's market. This has been rightly pointed by a study of the Indian Institute of Foreign Trade "Due to the shift of Britain's engineering industry on the production of sophisticated items requiring higher degree of automation, there are good prospects for expansion of India's exports of products requiring intermediate technology".  

1. Indian Institute of Foreign Trade - Trading with the World, IIFT, New Delhi, 1972, p.649.
West Germany is one of the highly industrialised countries of the world. Its GNP has been rising at an annual rate of 7-8 per cent since 1971-72. India's exports to West Germany mainly comprise of traditional items like tea, jute goods, rawskins, iron ore, leather and precious and semiprecious stones. India has been able to diversify her exports to this country by introducing new items like wigs and shoeuppers, granite stones, handicrafts, paper products and musical instruments. There are very good prospects for India's silk carpets, garments made out of cotton or man made fibers, wollen and rubber goods, leather products and light engineering products such as bicycles, sewing machines, pumps and engines.

In view of the economic prosperity of West Germany India can very well increase her exports of both traditional and non-traditional goods to her. But West Germany is a buyer's market and therefore prices and quality standard of Indian products need to be highly competitive.

India has bilateral trade agreement with West Germany since 1955, under which 92 per cent of exports to this country have been freed of all restrictions.
Quota restrictions exist, however, on jute goods, textiles, leather products, canned fruits, cashew nuts and almonds only.

West Germany has been providing duty free entry for all manufactures and semimanufactures of the developing countries and a 20 per cent reduction in import duties for agricultural products under the G.S.P. though these imports are subject to quota restrictions.

Table 3.3 suggests the trends in India's exports to West Germany.

West Germany is one of the major trading partners of India. Our trade with West Germany has been continuously growing during the plan period though our exports are far less than our imports from her. India is one of the major beneficiary of West Germany's financial assistance and in industrial collaboration during the last two decades or so. India must strive hard to increase her share in West Germany's total imports.

FRANCE

The foreign trade of France has registered a good increase. Its share in world trade went up from 3 per cent
to 6 per cent. India’s trade volume with France has gone up considerably since 1958 when Indo-French Economic and Technical Cooperation Agreement was signed between them. Indo-French trade protocol signed in 1959 gave a further fillip to our trade with France. In the EEC France is the third largest trading partner of India next only to UK and West Germany.

France imports mainly the traditional commodities from India. But there has been some progress towards a diversification in our exports to France. Our principal exports to France comprise hides and skins, gems and jewellery, silk scarves, cotton textiles, vegetable products such as opium and tanning material, essential oils, canned sea foods, jute products, iron and manganese ore, wool, etc. India has been selling engineering goods too to France. There are very good prospects for exporting light engineering products like hand tools, electric lamps and fittings, electronic components, automobile components, torches and batteries, bicycle parts, welding electrodes and foundry equipments.

France also provides a good market for chemicals and allied products particularly for vermiculite, calcium magnesite, kaynite, rubber floves and rubber footwear.
Prance is an affluent market. Indian suppliers must organise exports to this market and make sustained efforts.

ITALY

Italian economy has undergone a rapid change from an agrarian one to that of a highly industrialised country in the Western Europe. Her economic growth has been accompanied with a stimulus for foreign trade particularly with the member countries of the EEC.

Italy's imports comprise of cereals, other agricultural products, livestock products, crude oil, chemicals, iron and steel, machinery and transport equipment and textiles and clothing. Italy's import policy is comparatively liberal. Excepting for some items of defence stores there are no restrictions on imports into Italy. Imports of commodities from India are not subject to any quota. Italy follows the common tariff policies applicable to members of the EEC and she has been extending the G.S.P. treatment for all manufactures and semimanufactures of the developing countries and a 20 per cent reduction in import duties for agricultural products though the former group of products are subject to quota restrictions.
Indian exports to Italy consist mainly of tanned hides and skins, timber, pepper, coir products, metallic and non-metallic ores. Italian economy is a highly booming one. Incomes are rising fast and imports from Africa, Latin-America and Asia are encouraged. It is possible for India to increase her share in Italy's imports. We must diversify our exports to include certain nontraditional items like engineering products, costumes, jewellery, canned food products etc.

BELGIUM

This is another market for India in the EEC region which provides some good prospects for our exports. Our exports to Belgium comprise jute, leather, sheep, goat and lamb skin, (tanned) jute hessian cloth and diamonds. Non-industrial diamonds constitute two-fifths of the value of our exports to Belgium.

Belgium is well situated for international trade. It is one of the successful trading nations in the world. She is the third biggest exporter of zinc, copper and tin, fifth for lead. It is world's largest producer and exporter of cobalt.
The growth rate of national product in real terms rose from 3.8 per cent in 1968 to 6 per cent in 1969. This comparatively fast growth provides good opportunities for India to diversify her limited range of products on the export side. India's engineering goods are finding a good market in Belgium. There are good prospects for items like transport equipment and machinery in addition to bicycle parts, auto parts, cutlery, machine tools etc. Belgium is an affluent market. India should try to export other items like basic drugs of botanical origin, chemicals and labour intensive dyes and items with specialised appeal like sandalwood soap, agarbattis, finished leather, and leather manufactures, processed food products, made up goods of cotton textiles, silk and manufactures of rubber.

NETHERLANDS

India's trade with Netherlands has more than doubled during the five year period between 1968-69 and 1972-73. Imports increased from Rs. 17.68 crores to Rs. 35.11 crores while exports from India increased from Rs. 15.37 crores to Rs. 35.40 crores during the same period. With a rising trend in her national income at an annual
rate of about 5 per cent there is a good demand for goods and services which is mostly met through imports. The total value of annual imports and exports of Netherlands is 40 per cent of the G.N.P. This suggests a very good market for developing countries like India.

India's exports to Netherlands consist mainly of traditional goods. In recent years, India has been able to sell manufactured goods including medicinal and pharmaceutical products. India has been receiving financial assistance from Netherlands in the framework of Aid India Consortium. India should try to expand her export trade to this lucrative market with special emphasis on light engineering goods and sports goods. India has been enjoying the benefit of duty free quota for handicrafts, handlooms, cotton and silk fabrics granted by the EEC.

SWEDEN

This is one of the prosperous industrial nations in Western Europe. Her economy is largely dependent on foreign trade. She imports about one-fifth of every thing she uses and exports about one fifth of every thing she
produces. Sweden has been following a liberal trade policy but the market is very competitive. Exporters with high degree of competitiveness in price quality and reliability can thrive in this market.

Sweden is good market for our textile fabrics, coir yarn, and jute manufactures. There are good prospects for our chemicals too. We can increase the exports of coffee, tea, cocoa, electrical equipment, household textiles, sports goods etc., as the consumption of these items is likely to increase due to rising standard of living in this country.

Sweden is giving duty free treatment to certain agricultural products and all manufactured products under the G.S.P. concessions. The concessions under GSP are beneficial to Indian exports of mango chutney, pickles, vegetables and sauce mix-seasoning. India has trade agreement with Sweden which commenced in 1955. The agreement provides for promotion of trade and shipping between the two countries.
NORWAY

Norway is a highly trade-oriented economy. Its trade turnover in 1972 was nearly 72 percent of the G.N.P. Our exports to Norway are very much limited with only Rs. 2.65 crores in 1972-73. The major exports from India include traditional items like coffee, mica, millmade bed sheets, jute manufactures, tarpaulins of jute and clothing.

Norway has been following a liberal trade policy. Under the GSP Norway envisages duty-free treatment to certain agricultural products and all manufactured products. India can increase her exports of handicrafts, spices, all kinds of textiles, crude animal and vegetable materials and leathers, cashew nuts, tea, readymade garments, rosewood, and manganese ore.

SWITZERLAND

This is a small market in the Western Europe with a population of 6.4 million. Our exports to Switzerland comprise pearls and precious stones, jute manufactures, jewellery, sandalwood oil, and mushrooms.
Switzerland is an important trading country though her population is small. It is among the top five countries in the world in terms of G.N.P. (at U.S. $3,320 in 1970).

Switzerland with one of the lowest custom tariffs in the world follows a liberal trade policy. She has been extending GSP concessions for industrial products and also for agricultural products some of which are of export interest to India. Such items, according to a study made by I.I.F.T. comprise prawn and shrimp (canned), mango jams, fruits, mango chutney and pickles, chillies, black pepper garbled, pepper pimento, curry powder, sauce mix-seasoning, cattle guts for natural food casing, sheep and goat guts for natural food casing, button and pods, tamarind seed, ayurvedic herbs, crude opium and guar flour.²

It is suggested by the same study that due to the recent reduction of customs duty on imports from developing countries opportunities for increasing the exports of Indian commodities especially of consumer goods and manufactured articles, are better than they have been in the past.³

Eastern European region consists of Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Rumania, USSR and Yugoslavia. These countries are the members of the Council of Mutual Economic Assistance (CMEA) with a total population of 360 million (10 percent of world population). These countries account for one third of the world's industrial products. These countries have achieved spectacular economic growth during the last two decades and with continuing process of their plans for economic expansion their share of world trade is likely to expand considerably.

These countries adhered to the ideal of self sufficiency and a state of autarky was strictly enforced up to the early 1950. Such policies were found inadequate and presented a barrier to economic growth. They have rediscovered the positive role of foreign trade and have now reached the sophistication of linear programming models attempting to determine an optimal foreign trade structure under given institutional constraints. 4

Foreign trade is no longer a auxiliary to a domestic led growth process. It has become an inherent part of

the present growth efforts in the countries of the Eastern Europe. The foreign trade turnover per head in these a socialist countries increased from US $46 in 1953 to $154 in 1969. The rate of growth of foreign trade of these eight socialist countries was 12 per cent, between 1951 and 1960, 8 per cent between 1961 and 1965 and 9 per cent between 1966 and 1969.

The income elasticity of imports in all the CMEA countries since 1951 has been more than unity according to the findings of Albinowski, a Polish economist. According to him over the period 1960-88 a unit increase in national income will be associated with a 1.5 increase in USSR's imports and a 2.0 increase in the imports of the remaining Eastern European countries.

Eastern European countries increased their trade turnover by 8 times in 1972 over the 1950 level and by 2.7 times over the 1960 level. Exports and imports of these countries rose from a total of Rs.6.65 crores in 1953-54 to Rs.687.53 crores in 1972-73 multiplying more than 100 times in 19 years. According to a UNCTAD study annual growth rate of exports of CMEA countries between 1955 and 1962 was 11.5 per cent.

to CMEA countries, 14.0 per cent to the rest of the world, 9.3 per cent to industrialised private enterprise economies and 24.0 per cent to developing countries. The same study also suggests that the exports of developing countries to the CMEA countries is the highest with 18.0 per cent compared with exports to industrialised private enterprise economies, 1.6 per cent to developing countries. The imports of CMEA countries have grown from 7.8 per cent in 1967 to 9.4 per cent in 1968. The total imports of these countries (USSR, Albania, Bulgaria, Czechoslovakia, East-Germany, Hungary, Poland and Rumania) in 1962 were \$16,300 million. They rose to \$25,000 million in 1968. This growth of imports of the centrally planned economies of Eastern Europe and USSR conform to the estimates made by Economic Commission for Europe "If current plans of these countries for growth of national income are realised total imports may rise to nearly \$30 billion in 1970 and over \$50 billion in 1980". These trends suggest the potential import propensity of Eastern Europe which India should try to exploit fully.

7. UNCTAD: Ibid., p. 91.
The developing countries including India can enhance their prospects of increased exports to the socialist countries of Eastern Europe. The rate of growth of exports to this region have been very good as is clear from the following table.

Table 3.4: Exports of Developing Market Economies to Centrally Planned Economies (f.o.b Value million US dollars).

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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>1,220</td>
<td>1,560</td>
<td>1,670</td>
<td>1,940</td>
<td>2,390</td>
<td>2,340</td>
<td>2,160</td>
</tr>
</tbody>
</table>

Exports from Centrally Planned economies to Developing Market Economies.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>1,250</td>
<td>2,110</td>
<td>2,470</td>
<td>2,050</td>
<td>2,940</td>
<td>3,230</td>
<td>3,350</td>
</tr>
</tbody>
</table>

Source: Statistical Year Book UN, 1969 p. 376.

A report of the UNCTAD suggests that "If the share of developing countries is maintained at 10 per cent of the total in the East European market ... this would imply a potential expansion in their export market to the CMEA countries to $ 3 billion in 1970 and more than
Pattern of Import Demand in Eastern Europe

A productwise demand pattern of the East European countries shows that temperate agricultural products may become unfavourable with passage of time. This will be a natural outcome of their efforts to increase the production of these products to the maximum in order to meet the demands of growing population and rising levels of living. Industrial raw materials too face the same situation.

The demand for tropical food stuffs and beverages is expanding. The growing consumption potential of these products in these countries offers favourable market outlook.

The UNCTAD Secretariat says "Should the per capita consumption of these products reach by 1980 the levels prevailing in richer private enterprise economies of today the volume of imports of these countries might increase to a very sizeable amount". The same agency maintains that "On certain assumptions along these lines

8. UNCTAD; Ibid., p. 91.
it has been estimated that imports of tropical food 
stuffs and beverages by these CMEA countries which 
were valued at scarcely $130 million in 1961 might 
reach some $3 billion by 1980."9

Demand for manufactures from developing countries 
is likely to increase in East Europe. Imports of 
industrial consumer goods are likely to go up in this 
region due to higher incomes. India and UAR have already 
been supplying these goods to this region. India should 
try to expand exports of such goods to this expanding 
East European market.

India's Export Performance in East Europe

India's exports to East European countries rose 
from a bare 1.2 per cent of her total exports in 1951-52 
to 23.6 per cent in 1970-71 while the share of other 
regions in India's exports (USA, EFTA) have gone down 
during the same period. During the sixties Indian 
exports to this region increased by 432 per cent between 

The following table shows the countrywise share of Indian exports in East European region.

Table 3.5: India's Exports to East European Countries (Rs. Million lakhs).

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>USSR</td>
<td>1,465</td>
<td>1,234</td>
<td>1,205</td>
<td>1,483</td>
<td>1,762</td>
</tr>
<tr>
<td>Czechoslovakia</td>
<td>249</td>
<td>286</td>
<td>292</td>
<td>317</td>
<td>301</td>
</tr>
<tr>
<td>German Democratic Republic</td>
<td>216</td>
<td>194</td>
<td>203</td>
<td>196</td>
<td>200</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>143</td>
<td>135</td>
<td>220</td>
<td>249</td>
<td>213</td>
</tr>
<tr>
<td>Poland</td>
<td>143</td>
<td>135</td>
<td>220</td>
<td>249</td>
<td>213</td>
</tr>
<tr>
<td>Hungary</td>
<td>109</td>
<td>113</td>
<td>128</td>
<td>100</td>
<td>94</td>
</tr>
<tr>
<td>Rumania</td>
<td>71</td>
<td>59</td>
<td>42</td>
<td>55</td>
<td>98</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>85</td>
<td>47</td>
<td>50</td>
<td>72</td>
<td>66</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,466</td>
<td>2,257</td>
<td>2,246</td>
<td>2,662</td>
<td>3,074</td>
</tr>
</tbody>
</table>

Source: Foreign Trade Review, April/June 1971
Indian Institute of Foreign Trade, p. 51.

The figures in the above table reveal that India's exports to East European countries have increased from Rs.2,466 million lakhs in 1965-66 to Rs.3,074 million lakhs in 1969-70. The regression equation derived on the basis
of the above table is $2,541 + 162.2x$ for exports, that means exports is East European countries have increased on an average by Rs. 162.2 million lakhs per year.

**Nature of Exports to East European countries**

The commodity composition of India's exports to this region shows that traditional commodities account for a large share in our total exports. Among the Indian exports to East European countries greater benefits are realised by hides and skins, mica, iron ore, spices, tea and jute manufactures. Indian tobacco has found a new opening in the USSR, Yugoslavia, Hungary and Poland. Plastic goods are in demand in Yugoslavia, Czechoslovakia and Bulgaria. Indian handloom and handicrafts products are comparatively new items which have entered markets in USSR, Yugoslavia, Czechoslovakia, Hungary, East Germany and Bulgaria. Tinned products have also found a market in East Germany, Czechoslovakia, while films (exposed) have become popular in the USSR and Bulgaria.

It is possible to expand further our exports of consumer goods and engineering goods to the East European region. Special export advantages for India are available for items like refrigeration, air conditioning equipment, wagons, railway equipment and light machine tools, etc.
Declining Export Prospects in Western Europe and the Need for Expanding Exports to Eastern Europe

The traditional West European market for Indian exports is comparatively becoming less important due to the inward looking policies of the countries in EEC and EFTA regions. They are following protectionist policies and the common external tariff of the EEC countries are likely to reduce our exports to a significant extent. United Kingdom has reduced her imports from India from Rs. 172 crores in 1960-61 to Rs. 165.1 crores in 1970-71 while her total imports nearly doubled during the same period. Even if the generalised system of preferences are extended to us Indian exports are likely to suffer since there are a large number of non-tariff barriers ranging from subsidies to health controls. Competition from African countries is likely to become severe for our exports of tea, coffee and cashewnuts in the EEC market due to the removal of commonwealth preferences. Prospects for increased exports to U.S.A. and Japan too are not very bright. Our export trade with the convertible currency areas in general has been inhibited by low price and income elasticity of demand and competition from substitutes. Added to these factors are the problems of (1) preferential treatment to goods of certain territories such as those originating from African countries in ECM region, (2) high tariff and
non-tariff restrictions, (3) trade agreements of the importing countries and consumer preferences for superior goods. These trends in our traditional markets of Western Europe and the USA clearly suggest that rupee trade with Eastern Europe is a net addition to our foreign trade. The findings of the NCAER also conform to this view.10

India has entered into bilateral trade and rupee payment agreements with the USSR and other East European countries. Commencing with USSR in 1953 similar agreements were extended to other countries in the region. The chief characteristics of India's trade with these socialist countries of East Europe are:

1. Balanced trade involving equating imports with exports in the short run;

2. All trade is in rupees thereby avoiding strains on our foreign exchange resources;

3. Freedom to export and import is ensured without involving package deals as in the case with Western countries where our imports are tied with a package deal under the aid received by them;

4. Payments for import of technical knowhow and capital goods to the assisting country are made through exports of goods. The assisting country has no share in the profitability of the enterprises set up through collaborative efforts.

Our exports to the East European countries comprise of new items which could not be sold in the western markets which has been helpful in giving a spurt to our production machinery both in primary and secondary sectors. Our trade agreements with these countries is based on the most favoured nation treatment in respect of customs duties and other taxes. India’s trade with the East European countries has helped to bring about a diversification in our trade. The share of traditional commodities in our exports to this region has come down from 90 per cent in 1953-54 to nearly 45 per cent in recent years.

The problem of Switch Trade and Trade Diversion

Doubts are raised about the expansion of our exports to these socialist countries of East Europe due to switch trading by them through re-exporting imports from India and other developing countries. According
to one estimate switch trade has been growing in recent years at the rate of 15 per cent per annum and its volume at three centres alone, Zurich, Vienna and London is about $\$ 370 million. According to another report, the number of switch deals involving diversion of India's exports meant for East European destinations to West European countries has gone up. Such divergences of Indian Exports at lower price depresses the unit value of Indian goods. It amounts to a loss of potential market in West Europe and thereby reducing our foreign exchange resources of those countries. Almost all the East European countries have been found indulging in switch deals. Traditional items of Indian exports have been covered in this type of switch deals, viz., tea, deoiled oil cakes, grey cloth, hides and skins, black pepper, coir yarn. Non traditional items like quinine and rolled steel are also covered by such deals.

How switch deals are conducted? A buyer from an East European country concludes business deals with a party in Western Europe. In such deals he is helped

by a middleman or a financier or some times he deals directly with the party in that region. Price is determined in advance mutually by the parties concerned. An account is opened in India by an East European country's bank. A corresponding account of a West European agent's bank is opened with the bank of East European country. The consignment from India ostensibly destined for an East European country is sent in transit to a West European port. It is found that such switch deals are indulged in frequently by Czechoslovakia and Hungary which are landlocked and by Bulgaria and Rumania which do not have regular sailings to the black sea ports of their countries. Switch trade of this type is facilitated by the existence of free ports in Europe such as Hamburg, Amsterdam and Trieste. Deliveries are arranged with the help of local merchants or commission agents at these ports and goods instead of going to their destinations in East Europe disappear in Western Europe. Specialised establishments for arranging switch deals are existing in these ports and important commercial locations like Zurich, Geneva or Milan. The Ministry of Foreign Trade according to a press report has decided to take up this question with the countries concerned and various steps are contemplated to stop switch trading.\[13\]

\[13\] Indian Express. Ibid.
1. Making a realistic assessment of actual domestic need in sensitive product of east European country and to limit the trade plan provision to that extent;

2. Insisting on the use of the shipping lines of India or of the East European country concerned in carrying our exports. Permitting other shipping lines only when Indian shipping lines express their inability to carry the cargo;

3. Customs and enforcement authorities to keep a strict watch on switch deals;

4. Denying permission to book shipments of consignments in transit to West European ports. This is to the exception of land locked countries in East Europe;

5. Indian commercial offices posted in Europe to keep watch on the diversion of India's exports;

6. To make efforts to persuade West European countries to buy Indian goods directly from India.

Government's measures to stop switch deals no doubt are quite essential. But before taking such steps it is necessary to assess accurately the magnitude of such trade.
Problems of Identifying Switch Deals

There are practical difficulties in this respect. "While it is wellknown that most East European countries have engaged in re-exporting Indian goods, there are both conceptual and statistical difficulties in quantifying this". It is necessary to establish first that the product is unmistakably of Indian origin. One has to show that the importing country concerned produces little of the goods in question and that it re-exports Indian goods rather than goods imported from some other country. Relevant trade statistics are either not available or ambiguous. Interpretation of even available statistics is difficult because many goods are often re-exported through third countries.

Apart from re-exporting or switch deals it is even maintained that our increasing exports to these East European countries themselves constitute diversion of exports from our traditional markets in the Western Europe or U.S.A. Under the bilateral agreements with these countries, India and other developing countries have been exporting many goods to these countries. A

decline in exports to the traditional markets is accompanied with an expansion of our exports to these socialist countries. Such diversion no doubt has been useful in stabilising our exports in the wake of declining demand in the Western Europe and U.S.A. On this ground we can say trade diversion for purpose of attaining export stability and diversification is a beneficial diversion. Trade agreements with these countries are being used for meeting the fundamental purpose of additional flows of trade through bilateral channels which would otherwise not have taken place at all.

Export Stability and Stability of Export Prices

Rupee trade has established effective growth points in the two way trade linked to a self adjusting payment and credit system. The composition of trade, both ways, is taking new shapes and dimensions. In the earlier period trade with East European countries was not broad based. This has been set right in the subsequent trade agreements. Despite fluctuations in the terms of trade, if analysed over a long period there is on the whole clear evidence of fair stability. The East European countries used to get Indian goods through London, Switzerland, Germany, France and Italy.
during the pre-independence period. Direct trade was established after 1947.

Trade with Eastern Europe has helped India in stabilising her exports in the face of sagging markets in other areas. Trade under bilateral transactions with socialist countries is generally carried out at world market prices. This fact has been confirmed by the UNCTAD, an agency of the UN.\textsuperscript{15} The NCAER study too maintains that bulk purchases by these countries has helped in maintaining price stability.\textsuperscript{16} The same study further maintains in our trade with Soviet Union both in our exports and in our imports, we have not lost in unit prices. In most cases our unit prices have if anything improved. The fluctuations over a period of years have been but marginal. One can even infer that the USSR's entry into the Indian market has gone a great deal to stabilise the prices of our export commodities. The findings of another study in this regard fully corresponds with this view.\textsuperscript{17} The NCAER

\textsuperscript{15} UNCTAD: *Towards a New Trade Policy*, op.cit., p. 96.
\textsuperscript{17} S.Manoharam. *AICC Economic Review*, Feb.15, 1969.
study maintains that commoditywise analysis of our trade with socialist countries shows that there has been hardly any diversion of our trade.\textsuperscript{18}

Table 3.6: India’s Exports to East European Countries (\textcurrency{Rs. lakhs})

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>Negl</td>
<td>19</td>
<td>219</td>
<td>956</td>
<td>1,886</td>
</tr>
<tr>
<td>Czechoslovakia</td>
<td>315</td>
<td>730</td>
<td>1,582</td>
<td>2,946</td>
<td>4,610</td>
</tr>
<tr>
<td>Germany East</td>
<td>1</td>
<td>329</td>
<td>1,373</td>
<td>2,456</td>
<td>1,511</td>
</tr>
<tr>
<td>Hungary</td>
<td>2</td>
<td>137</td>
<td>693</td>
<td>1,323</td>
<td>1,228</td>
</tr>
<tr>
<td>Poland</td>
<td>16</td>
<td>387</td>
<td>912</td>
<td>2,212</td>
<td>4,418</td>
</tr>
<tr>
<td>Romania</td>
<td>-</td>
<td>139</td>
<td>451</td>
<td>1,370</td>
<td>1,593</td>
</tr>
<tr>
<td>U.S.S.R.</td>
<td>115</td>
<td>2,861</td>
<td>9,197</td>
<td>20,985</td>
<td>30,482</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>1</td>
<td>333</td>
<td>1,128</td>
<td>3,918</td>
<td>1,244</td>
</tr>
<tr>
<td>All East-European countries</td>
<td>450</td>
<td>4,955</td>
<td>15,655</td>
<td>36,166</td>
<td>46,973</td>
</tr>
</tbody>
</table>


A countrywise analysis of India’s exports to the East European countries will reveal some interesting

\textsuperscript{18} NCAER: op.cit., p. 104.
trends in our trade relationship with these centrally planned economies. Exports trends from India to this region during the first two decades of trade relationship between 1953-54 to 1972-73 show that USSR is the largest importer from India followed by Czechoslovakia, Poland, Bulgaria, Romania, East Germany, Yugoslavia and Hungary.

An analysis of countrywise position of exports from India is made. Problem areas are pinpointed and further prospects are identified.

**USSR**

USSR is the largest country in the East European region with a total population of 242-77 million and 22-4 million square kilometers of land area. The Soviet Union is predominantly an industrial economy. It accounts for 20 per cent of world industrial output.

USSR's foreign trade has almost trebled from 7703 million roubles to 19,784 million roubles in a decade between 1958 and 1969. In 1969 socialist countries of the East Europe accounted for 65 per cent of USSR's foreign trade. Outside the socialist group, India ranks fifth in USSR's imports next to Finland, Japan, UK and UAR.
It is from the middle of fifties that Indo-Soviet trade relations took concrete shape when for the first time in 1955 bilateral trade and payments agreement was concluded between the two countries raising the trade turnover to nearly Rs. 43 crores in 1958. Trade relations were strengthened through some economic agreements during the same period which helped in setting up Bhilai steel plant and other projects with the Soviet help. The first Rupee Trade Agreement was signed in 1958 which provided ample opportunities for India to diversify her exports to the USSR and obtain in return machinery and equipment essential for her economic development. The total trade turnover increased to about Rs. 122 crores in 1963. India and USSR signed a third five year trade agreement on January 1964 which resulted in raising the trade between them to Rs. 216 crores. The duration of the agreement was extended up to 1970. Another five year trade agreement was signed in December 1970 which helped in expanding our trade to Rs. 314 crores in 1970-71. The 1970 trade agreement envisages an annual growth rate of 15 per cent in India's exports to the USSR. Exports of engineering goods and others like excavators will be stepped up. Other items of exports include electric motors, aluminium cables, spectacle lenses, wire ropes, machine made carpets, paints and varnishes and dyestuffs. It was expected
that by 1975 manufactured goods would account for 60 per cent of India's exports to USSR as against 44 per cent in 1973. The share of India's exports to USSR increased from 0.2 per cent to 10.9 per cent between 1950-51 and 1969-70.

The pattern of exports from India to the USSR is clear from the following table.

Table 3.7: Major Commodities of India's Exports to USSR (in million rupees) 1970.

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Value (million rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jute manufactures including</td>
<td></td>
</tr>
<tr>
<td>Jute Yarn</td>
<td>344.2</td>
</tr>
<tr>
<td>Tea</td>
<td>263.9</td>
</tr>
<tr>
<td>Cashewkernel</td>
<td>146.8</td>
</tr>
<tr>
<td>Clothing (except fur clothing)</td>
<td>178.8</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>176.8</td>
</tr>
<tr>
<td>Cotton fabrics</td>
<td>135.0</td>
</tr>
<tr>
<td>Spices</td>
<td>44.8</td>
</tr>
<tr>
<td>Oilseed cake</td>
<td>43.6</td>
</tr>
<tr>
<td>Coffee</td>
<td>69.2</td>
</tr>
<tr>
<td>Castor oil</td>
<td>44.9</td>
</tr>
<tr>
<td>Leather</td>
<td>180.5</td>
</tr>
<tr>
<td>Hides and skins, undressed</td>
<td>32.1</td>
</tr>
<tr>
<td>Tobacco manufactured</td>
<td>55.4</td>
</tr>
</tbody>
</table>

The above table shows that a larger share of increase in exports to USSR is accounted for by exports of agro-based products.

A greater share of exports from India of agricultural raw-materials is accounted for by the USSR, viz., 57 per cent of wool, 95 per cent of raw jute, 75 per cent of leather, 50 per cent of tobacco, 53 per cent of waste cotton, 28 per cent of coffee, 35 per cent of iron ore, etc.

India and the USSR signed a new protocol for 1975 in 1974 December. This envisages a total trade turnover of about Rs. 750 crores. USSR would buy from India more tea, spices, jute products, footwear, garage equipment, automobile ancillaries, linolium and textiles. This composition of exports does not indicate much change. It is necessary to make planned efforts to diversify our exports to the USSR in future. Both the countries can reach the increased rate of trade as stipulated in the 1975 trade protocol provided they bring about a coherence in their trade and production plans. The problem of rupee rouble value fixation has given a new dimension to our economic relations with the Soviet Union. In recent period the USSR has been reducing the value of
the rupee vis-a-vis the rouble almost every month. Following the devaluation of the rupee in 1966, the exchange rate was fixed by the USSR at 23 Roubles per Rs.100. After Smithsonian agreement of December 1971 when the dollar was devalued, the Soviet Union changed that rate to 11.39 Roubles per Rs.100. It stayed at this level till March 1974 when there was a further depreciation of the Rupee to 9.5 Roubles per Rs.100. Since then periodical depreciations have been announced by Moscow with the result that the rate now stands at only 8.66 Roubles per Rs.100. This means that the rouble has risen in value against the rupee since the 1971 by 3.6 per cent. A change in the existing pattern of our economic relations with the USSR is necessary in widening the range of our exports and settling the rupee rouble problem.

POLAND

Poland with 32.81 million population and a total land area of 312 thousand square kilometers is one of the most important trading partner with India. Her imports from India increased from Rs.135.0 million in 1966-67 to Rs.221.2 million in 1970-71. Major items of exports to
Poland comprise of oilseed cake and meal, iron ore and concentrates, tea, leather and spices. The Indo-Polish bilateral Trade and Payments Agreement concluded in 1968 is for a period of five years. India was to export engineering goods textile machinery and accessories, machine tools diesel engines, cotton textiles, handicrafts and handloom products, leather footwear, duplicators, ready made garments, razor blades, iron ore, manganese ore and mica. Another trade agreement was signed in January 1973 for three years. The agreement provides for exports of de-oiled groundnut cakes, tea, coffee, black pepper, iron ore, rayon fabrics, engineering goods, railway wagons, cotton yarn, animal feed compounds, processed mica, iron and steel castings, medicated cotton yarn, tanned and semitanned hides and skins, tinned fruits and juices, woolen knitwear, hand tools and pneumatic tools, auto ancillaries, electrical household articles, aluminium cables and conductors, jute goods, handloom goods, including cotton fabrics and carpets.

Market Potentials

Poland is planning for a rapid growth of her national income. They aimed at increasing the national income by 20 per cent between 1971 and 1975. This will
naturally generate increased demand for a large variety of consumer goods. India can benefit substantially from this expansionary wave in Poland through her export trade. Poland needs large quantities of natural rubber, fruits specially citrus fruits and bananas. Poland has now been purchasing directly from the producing countries instead of relying on firms in UK and Netherlands. Planning in Poland has become flexible. Purchases are made subject to short term market fluctuations. It is, therefore, necessary for exporters to be constantly in touch with the demands of the Polish market.

CZECHOSLOVAKIA

Czechoslovakia is another important market for India's exports. Our exports increased from Rs.285.6 million in 1966-67 to Rs.3029 million in 1969-70 and came down to Rs.294.6 million in 1970-71. India's bilateral trade with Czechoslovakia has shown a rising trend both quantitative and qualitative. The proportion of non-traditional goods in India's exports to Czechoslovakia has increased. Traditional items include toilet cakes, jute manufactures, coffee, spices, castor oil, mica, coir yarn, and manufactures. Non-traditional items
comprise of engineering goods such as handtools, locks, pad locks, dry storage batteries, automobile ancillaries, textile machinery and transistorised radios.

There are good prospects for Indian exports of engineering goods, woolen hosiery and readymade garments, linoleum, woolen carpets, tyres and tubes, finished leather, woolen fabrics and other textiles and iron ore. The study conducted by the IIFT suggests that "If potentialities that exist are tapped systematically and energetically, trade can rise to still higher levels in the coming years." India has signed trade and economic co-operation agreements with Czechoslovakia. According to a recent agreement between the two countries, India will export to Czechoslovakia tinned fish prawns, cashew kernels, beverages and tobacco, minerals and allied materials, complete equipment for sugar machinery plants, paper making plants and engineering products, textiles, chemicals and pharmaceuticals and allied products. In the wake of rapidly rising national income Czechoslovakia provides a good market which Indian exporters must fully exploit.

East Germany (German Democratic Republic) has a total population of 17.1 million and its per capita net material product at $1430 in 1968 is the highest among all the communist countries. East Germany's economic plan for the period 1971-75 aims at a bigger purchasing power and higher wages. This provides a good potential market for our exports to this country.

Foreign trade of GDR has risen from $875 million in 1950 to $9,628 million in 1970. It is India's fourth largest trading partner in East Europe and accounts for 1.6 per cent of India's exports. India has signed bilateral trade and payments agreements from time to time since 1954. Between 1951-52 and 1970-71 GDR's imports from India rose from a negligible level to Rs.24.5 crores and further to Rs.33.83 crores in 1972-73. Exports from India to GDR comprise of de-oiled cakes, jute manufactures, tanned hides and skins, cashew kernels, iron ore, tea, coffee, coir yarn, tobacco, mica and black pepper.

The expanding economy of GDR depends on the import of most of the raw materials needed for its
industries. India should, therefore, diversify her exports to GDR. She should try to export more non-traditional goods to East Germany including engineering goods.

BULGARIA

Bulgaria has transformed herself into an industrial economy and industry accounts for nearly two-thirds of its total income today. She has been expanding her foreign trade in the wake of her increasing national income. Her foreign trade accounts for more than one-fifth of her national income whereas its share in 1939 was only four per cent. Bulk of her foreign trade is mainly with the socialist countries, but India occupies the fourth place in the first five positions of Bulgaria's trade with the developing countries.

There has been a marked shift in the industrial structure of Bulgaria. Her industries now are based more upon imports of raw materials and semi-manufactures. Bulgarian industries can absorb increasing quantities of iron and steel, nonferrous metals, petroleum products, fertilisers, rubber, forest products, cotton, hides and skins, tanning materials, jute, resins, tropical oils.
and industrial fabrics. This suggests the vast potentials for India to export many of these products to Bulgaria. In addition to the above industrial raw materials and semi-manufactures, Bulgaria also provides good prospects for many consumer goods since there is likelihood of expanding demand for such goods in the wake of rising real income per head in Bulgaria.

Export potentials can be further enhanced through Indo-Bulgarian joint ventures. There is vast scope for joint ventures in various fields like prospecting of mineral deposits, mining and production of engineering products, pharmaceuticals and exotic oils.

Bulgarian authorities are keen on expanding trade and economic relations with India. In order to overcome the difficulties of bilateralism in trade, a novel method of securing incremental trade was devised in 1968 by way of tri-lateral deal between India, Bulgaria and Tunisia. Such arrangements are likely to expand our exports to this area which is one of the important markets in the Eastern Europe.
HUNGARY

The economy of Hungary is largely dependent on foreign trade. Its imports constitute about a onethird of its GNP. A larger part of Hungary's foreign trade is linked up with the CMEA countries. Socialist countries accounted for 73.9 per cent of Hungary's foreign trade in 1960 while developed countries and developing countries accounted for 23.9 per cent and 2.2 per cent respectively. By 1968 Hungary's foreign trade has increased with developing countries to 4.5 per cent. India is one of the major partners in trade with Hungary among the developing countries.

India has developed her trade relations with Hungary during the last 20 years on the basis of long term trade and payment agreements renewed from time to time. The trade agreements provide for settlement of all commercial and non-commercial transactions in non-convertible Indian rupees. The recent agreement between India and Hungary for a five year period 1971-75 provides for increased two-way trade at an annual rate of 10 per cent.

India's exports to Hungary comprised mainly of traditional goods till recently, viz., deoiled cakes, jute manufactures, mica, tobacco, cotton and waste.
The trade protocol of 1971 has provided for exports of some non-traditional items like iron ore, chemical products, asbestos concrete products, sanitary fittings, engineering goods and 900 railway wagons.

Hungary provides a good market with her fast increasing national income. Her national income increased at an annual average rate of 4.4 per cent during the second plan 1961-65 and 7 per cent during the Third Plan 1966-70. It is expected that her national income may increase between 5.5 per cent to 5.6 per cent during her Fourth Plan period. Since Hungary's plan set apart 76 per cent of the national income for consumption, India should try to increase her share in the expanding imports of Hungary.

RUMANIA

Rumania has a population of 20 million. The national income of Rumania increased at a fast rate of 8 per cent during 1966-70 due to her planned programmes of agricultural and industrial development. India has economic and trade relations with Rumania since 1958. India's trade turnover increased from Rs.6.34 crores in 1960-61 to Rs.30.28 crores to 1970-71 and Rs.29.37 crores
in 1972-73. The trade protocol signed for 1973 envisaged a trade turnover of Rs.76 crores.

Agriculture is predominant in Rumania's economy but her industrialisation has proceeded rapidly under her economic plans. Her national income (GNP) rose by 10 per cent in 1972 and was expected to increase by 14 per cent in 1973. Rumania's foreign trade is likely to increase fast due to fast expanding industrial production and national income. India's exports to Rumania rose from Rs.2.2 million in 1956-57 to Rs.137.0 million in 1970-71. Major items of exports to Rumania comprise of ironore and concentrates, spices, manufactures of metals, leather, mica and coffee. According to a study made by IIFT "There are good prospects of exports from India for tea, coffee, pepper, groundnuts, essential oils, shellac, hides and skins, raw goat skins, ferro-manganese, manganese ore, micanite, coir products, rolled stell products, engineering goods, machine tools, fish (salted and tinned), animal casings, paints and varnishes, coated abrasive, sports goods, chemicals, hosiery and knitwear and rubber goods, including footwear". India's exports to Rumania can

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be sufficiently diversified in future since Rumania provides a good market in the wake of her rising level of national income.

**YUGOSLAVIA**

With a population of 20.53 million and being comparatively a free economy in the socialist block, Yugoslavia is potentially a good market for India's export. Added to these positive factors her trade is likely to expand considerably due to her fast growing GNP. Her real GNP grew at a remarkably high annual rate of 8 per cent between 1958 and 1968. Yugoslavia's industry grew at an annual rate of 8 per cent between 1963 and 1970. Her foreign trade has been expanding at a very fast rate. It went up from a low level of $400 million in 1950 to $4,600 million in 1970.

India has bilateral trade agreements with Yugoslavia. Our trade with Yugoslavia went up from Rs.40 lakhs in 1951 to Rs.47 crores in 1970. India's exports rose from Rs.2.6 million in 1951-52 to Rs.391.8 million in 1970-71. India's exports to Yugoslavia comprise mainly of traditional goods like tea, coffee,
jute products, cashew, groundnuts, deoiled cakes and hides and skins. We have been exporting some non-traditional items since 1969 comprising of jeeps, trucks, sewing and knitting machines, aluminium conductors and cables and diesel engines for tractors, etc. There are good prospects for exports of railway wagons, engineering goods and some consumer goods, like fruits and juices, thermosflasks, plastic goods and spectacle frames.

India's trade with Yugoslavia will expand further since the political and economic relations between these two countries have been very cordial. India, Yugoslavia and UAR have signed a tripartite agreement aiming at mutual reduction in import tariffs in the three countries for the entry of their goods in each other's markets and to set up joint ventures abroad.

NORTH AMERICA

North America comprises of United States of America and Canada. This is the world's leading economic region with rich natural resources. Let us analyse the impact of the economic prosperity of this
region on international economy in general and on the trends and prospects of India's trade relations in particular.

**U.S.A.**

United States of America has a population of 205.40 million with a land area of 9.17 million sq.k.m. U.S.A. occupies the most prominent place in world trade accounting for 15 per cent of world exports in 1970. Her imports have been growing at a very fast rate since the latter half of this century. In 1972 exports went up by 13 per cent while her imports increased by 22 per cent. The high propensity to import of the US economy was one of the important stimulating factors in the rapid economic development of several countries. This high propensity to import in the US economy is clear from the following table (vide next page).

USA's direction of imports has undergone some changes while her trade links were more close with the Western Europe in the early part of this century. But the share of this region in her trade has been reduced to almost half while Canada, Japan, Hongkong, Taiwan and South Korea have sharply increased their share in
Table 3.8: Imports of USA (in million dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Imports of USA</th>
<th>Imports from India</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966-67</td>
<td>25,542</td>
<td>2200.0</td>
</tr>
<tr>
<td>1967-68</td>
<td>26,812</td>
<td>2074.3</td>
</tr>
<tr>
<td>1968-69</td>
<td>33,226</td>
<td>2342.7</td>
</tr>
<tr>
<td>1969-70</td>
<td>36,052</td>
<td>2379.7</td>
</tr>
<tr>
<td>1970-71</td>
<td>39,768</td>
<td>2073.4</td>
</tr>
</tbody>
</table>

Source: IIFT. Trading with the World, Ibid., p. 659.

USA's foreign trade. In 1972 Canada accounted for 25 per cent of US exports and 27 per cent of its imports; the European Community 24 per cent of US exports and 22 per cent its imports, Japan 10 per cent of US exports and 16 per cent of its imports and other developed countries 6 per cent of US exports and imports, the less developed countries accounted for 33 per cent of US exports and 28 per cent of US imports. While communist countries accounted for 2 per cent of US exports and 1 per cent of her imports.

India's exports to USA have been showing a declining trend in recent years though it ranks next only to Soviet Union in our country's export trade.
The composition of our exports to USA shows that traditional products of India like jute manufactures, cashew kernels, cotton fabrics, tea, sugar, spices, leather, etc. are dominant. Some new products such as plant seeds used in perfumery, pearls, precious and semi-precious stones, manufactures of metals, works of arts, footwear, etc. have made their entry in US market. One of the disturbing factor is the fast decline in our exports of jute manufactures to USA due to severe competition from synthetics and competition from Pakistan. Out of our total exports of Rs.276 crores to USA jute manufactures accounted for as much as Rs.98 crores. This loss of exports has to be made good by diversifying of markets for our jute manufactures. Eastern Europe naturally provides a better prospect in this respect. Further growth of our exports to USA depends upon our capacity to diversify our exports to USA.

The US has adopted the generalised system of preferences (G.S.P.). About 500 odd Indian commodities are included in the G.S.P. list, though about 20 important items are excluded from the list of G.S.P. An Indo-US Joint Business Council has been set up by the Indo-US Joint Commission. The Commission envisaged that the expansion of trade should be led by increased
Indian exports to the United States of manufactured goods and modern industrial machinery. India should try to increase her share in the total imports of US which at present is less than one per cent. The facility of duty free entry in US of our exports covering about 500 commodities should help us in bringing sufficient amount of export diversification. India will now get tariff advantage ranging between five and 35 per cent for her other exports in the American market over competitors from developed countries. Among the Indian items which get duty free entry into US are ferrous manganese, ferrous silicon, plywood, agricultural implements, handtools, sewing machines, primary cells and batteries, some sports goods and precious and semi-precious stones. Some agricultural products like black pepper, ginger, mango, pulp, linseed oil cake and essential oils. The G.S.P. treatment also helps our other exports like coaltar, dyes, flash lights and jewellaries. There are some new items from India which are entitled to the G.S.P. like baskets, bags, uncut-saphires, rabies, face-finishing plywood, copper chains and parts, calculating machines, solid radio receivers, motor vehicle parts, leather, hardware, fishing nets, brass wind instruments, rubber plaster articles, ivory and shell article, incense and umbrellas.
The above list of items of Indian exports which are entitled to G.S.P. in the USA suggests the vast opportunities for us to diversify our exports to this most affluent and vast market in the world. Though some important items like textiles, leather footwear, jute yarn, steel, some type of mica, floor covering of coir and woven cotton fabrics are excluded from the G.S.P. in the USA.

USA is a highly sophisticated market. Exports from India must comply with the standards acceptable in this market. India has to depend on its own capacity for the diversification of its exports production and the improvement of its merchandising techniques or marketing strategies for improving her trade with USA.

CANADA

Canada like the USA has abundant natural resources. Its foreign trade sector is geared decisively to the US economy. USA provides three-fourths of Canada's imports and takes two-thirds of her exports. The other important trade partners of Canada are the UK, the European Economic Community and Japan.
Canada being an affluent country provides an attractive market to sell. Exporters to Canada, however, have to compete themselves on the basis of their productivity or marketing economy. India's trade relations with Canada are closely related with her economic assistance. Canada has given grants and development loans to a tune of 1.15 billion Canadian dollars. India's exports to Canada increased from an annual average of Rs. 14.7 crores in the First Plan to an annual average of Rs. 19.7 crores in the Third Plan. Exports from India have grown very slowly in the subsequent period. Our exports amounted to Rs. 28 crores in 1970-71.

The following table shows the growth trends in our exports to Canada.

Table 3.9: Exports to Canada (in million rupees)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports (in million rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966-67</td>
<td>309.8</td>
</tr>
<tr>
<td>1967-68</td>
<td>297.7</td>
</tr>
<tr>
<td>1968-69</td>
<td>297.1</td>
</tr>
<tr>
<td>1969-70</td>
<td>283.3</td>
</tr>
<tr>
<td>1970-71</td>
<td>279.6</td>
</tr>
</tbody>
</table>

Source: Trading with World, Indian Institute of Foreign Trade.
Canada follows a liberal trade policy. She has adopted the generalised system of preferences in 1970. The high rate of growth of Canada's gross national product at 7 per cent in 1970 and 1971 indicates its import capacity. There has been a shift in private consumption from necessities to durables and sophisticated products indicating the affluence of Canadian society. These trends should guide our export promotion policy in this important market in the North America. India's exports to Canada consist of tea, jute manufactures, woollen carpets, drugs, floor rugs, cotton fabrics, wallnuts, spices, aluminium and footwear. India enjoys a near monopoly in Canada's import trade for items like jute, cashewnuts, coir and coir-mats, oriental rugs, pepper. India has also been exporting some non-traditional items like leather and leather products, engineering goods, and plastic goods. According to the study made by I.I.F.T. there are good prospects for export of machine tools provided polish and finish is improved. The study maintains that there is need for advertising and supply of printed catalogues highlighting India's ability to supply high quality engineering goods which are in demand in that country.

Latin America consists of 21 countries. It has a total population of 260 million. Agriculture and mining account for 40 per cent of G.N.P. of some countries in the region and 50 per cent of the population is engaged in the production of food stuffs and industrial crops. There has been a slow progress in the industrial sector. Industrial output represented about 13 per cent in 1950 and 22 per cent and 24 per cent in 1960 and 1970 respectively. Latin America is comparatively a less developed region whose average per capita income is about one-seventh of that of the U.S.A., one-fifth of West Europe and less than half of U.S.S.R.

Foreign trade of Latin America in relation to the rest of the world has shown a declining trend. Its

* Argentina, Bolivia, Brazil, Chile, Columbia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama Canal Zone, Panama Republic, Paraguay, Peru, Uruguay and Venezuela.*
share of the international trade dropped from 11 per cent in 1948 to 7 per cent in 1950 and further down to five per cent in 1970. However, there has been an expansion of intraregional trade in Latin American region which rose from 9 per cent in 1948 to 11 per cent in 1968.

There has been a fast growth of intraregional trade of the countries of Latin American Free Trade Association** and also those of the Andean Common Market.***

The Latin American countries have launched programmes for rapid industrialisation helped by substantial inflow of foreign aid. Their programmes

** LAFTA members are: Argentina, Brazil, Bolivia, Chile, Columbia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela.

*** Indean Common Market consists of: Bolivia, Chile, Columbia, Ecuador, Peru and Venezuela.
for rapid industrialisation and inflow of foreign aid have been instrumental in a steady growth of their imports. Their imports have almost doubled over the past 8 - 9 years while their exports have increased nearly 50 per cent. Imports have grown faster after 1968 with the greater availability of short term external finance to attain an annual level of $14,460 in 1971. The rates of imports growth is the highest in 1971 in Ecuador (33 per cent) and Brazil (29 per cent) compared with Costa Rica, Argentina, Venezuela and Chile (10 per cent). Imports rose by 5 to 7 per cent in countries like Peru, Panama, Nicaragua, Paraguay, Guatemala and Bolivia.

U.S.A. dominates in the imports of Latin American countries due to her geographical proximity and greater degree of complimentarity between the two regions, and also due to her investment in Latin America. Latin America has been divided into three groups from the trade angle. (1) The Caribbean area known as CARIFTA consisting of Caribbean Islands and Guyana. (2) The Andean group and (3) other countries such as

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Brazil and Argentina. India's trade with Latin American countries has shown a continuous decline since 1951-52. Our exports to Latin American countries came down from Rs. 479.1 million in 1951-52 to Rs. 165 million in 1960-61, Rs. 104.4 million in 1965-66 and further to Rs. 83.1 million in 1970-71. India's exports to this region show a high degree of market concentration. Seven out of 21 countries of Latin America Argentina, Chile, Costa Rica, Brazil Bolivia, Uruguay and Peru absorb about 70 per cent of India's exports. Similarly concentration of commodities is also a feature of our exports to this region. Jute for instance accounts for 90 per cent of our exports to Latin America. Even this important item of export from India is faced with competition from Brazil, Peru, and Mexico in the region.

Import Policies in Latin America

Import trade policies in the Latin American countries differ from country to country. Most of these countries are making serious efforts to regulate imports through tariffs rather than quantitative restrictions. Imports duties are high on consumer goods, luxury items and on goods competing with domestic production. India's exports consisting of jute manufactures,
lac, tea, paraffinwax, coir mats and matting are the main traditional items while non-traditional items include metal manufactures, iron and steel products, telecommunication equipment, wires and cables and plastic goods. These various items are faced with severe competition from the countries of Latin America. India's exports of iron ore, iron and steel are faced with competition from Brazil, Chile, Peru and Venezuela. They are major iron ore producing countries in the region so they are offering stiff competition not only in this region, but also in Japanese market.

Problem Areas

There are some major hurdles in promoting our exports to Latin American countries. Inadequacy of shipping services between India and Latin America is the major hurdle. It has reduced the expansion of trade. Effective measures must be taken to build up regular shipping services and economic freight rates. There is also the problem of inadequate direct contact with the Latin American markets for geographical and historical reasons. Spanish speaking area is predominant while English is spoken only in Caribbean Islands countries and Guyana. The third major hurdle is the dearth of
systematic commercial exploration of the area. There is little market information and commercial intelligence available for the products of interest in Latin American markets.

Export Prospects in Latin America

India has good export prospects in this region. India with her good advance in the field of technology and know how during the last 25 years is in a position to provide the same through joint ventures in the countries of this region. The intermediate technology which India has developed is more suitable to these countries than the automatic sophisticated technology and know how of the developed countries. Such ventures with Indian collaboration are sure to enhance our export prospects in this region. India should also participate in and organise trade fairs and exhibitions. She should display the wide range of potential exportable commodities. India should also try to penetrate this market through well planned publicity campaigns, adherence to delivery schedules and competitive prices.
The following table shows the exports to some important countries in the Latin American region:

Table 3.10: Imports from India (in million rupees)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>20.2</td>
<td>5.7</td>
<td>6.5</td>
<td>6.9</td>
<td>33.4</td>
</tr>
<tr>
<td>Brazil</td>
<td>5.0</td>
<td>5.9</td>
<td>2.5</td>
<td>4.3</td>
<td>8.3</td>
</tr>
<tr>
<td>Bolivia</td>
<td>4.1</td>
<td>1.9</td>
<td>2.2</td>
<td>3.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Chile</td>
<td>12.9</td>
<td>4.3</td>
<td>2.9</td>
<td>1.6</td>
<td>2.1</td>
</tr>
<tr>
<td>Ecuador</td>
<td>1.90</td>
<td>2.86</td>
<td>1.32</td>
<td>1.95</td>
<td>1.42</td>
</tr>
<tr>
<td>Guyana</td>
<td>6.1</td>
<td>3.1</td>
<td>2.5</td>
<td>3.40</td>
<td>2.0</td>
</tr>
<tr>
<td>Peru</td>
<td>18.8</td>
<td>13.1</td>
<td>5.1</td>
<td>2.5</td>
<td>4.8</td>
</tr>
<tr>
<td>Uruguay</td>
<td>8.2</td>
<td>4.1</td>
<td>3.2</td>
<td>4.3</td>
<td>6.0</td>
</tr>
<tr>
<td>Venezuela</td>
<td>0.4</td>
<td>0.8</td>
<td>1.0</td>
<td>2.2</td>
<td>1.4</td>
</tr>
</tbody>
</table>


Argentina, Brazil, Peru and Uruguay are relatively important trading partners with India. Let us try to analyse our export prospects and problems in these individual markets in Latin America.
ARGENTINA

Argentina has a population of 24.4 million with a land area of 2.78 million square kilometers. Argentina is rich in some minerals like petroleum, natural gas, coal, salt, sulphur and tin. Her main crops consist of wheat, maize, oats, barley, rye, sunflower, linseed, cotton, sugarcane and millet. Argentina is basically an agricultural country. There are a few industries based on livestock meat, wool, and cereals. There have been good expansion of some industries like plastics, textiles, steel, engineering and chemicals.

Argentina's imports rose from 1,124 million U.S. dollars in 1966 to 1680 million U.S. dollars in 1970, while her imports from India rose from Rs. 20.2 million in 1966-67 to Rs. 33.4 million in 1970-71. Major commodities exported to Argentina comprise of jute manufactures, gum, resins, balsam and lacs, opium crude, plant seeds, metal manufactures and iron and steel. According to the study made by I.I.F.T. certain fields hold out promising possibilities of exports such as railway equipment, equipments for generation of power,
industrial machinery, sugar mill machinery, cement mill machinery and various other kinds of machinery, chemicals and intermediates.\textsuperscript{23} India can also promote her exports to Argentina through setting up joint industrial ventures in the field of electrical, automobiles, heavy and light mechanical engineering, leather, insecticides and pesticides, drugs and pharmaceuticals industries.

Imports in Argentina are subject to a single tax ranging up to 140 per cent duties; in other cases like the products that are manufactured locally or are considered luxury or non-essential goods attract duties up to 200 per cent.

**BRAZIL**

Brazil is the largest country in Latin America with a population of 95.31 million and a land area of 8.51 million sq. km. She is one of the world’s important agricultural and livestock producers. Agricultural production accounts for 25 per cent of national income.

\textsuperscript{23} Indian Institute of Foreign Trade: Ibid., p. 21.
and 70 per cent of exports. Brazil has made rapid strides in industrial growth too in recent years. The major industry of Brazil are textiles, iron and steel, petroleum, and asphalt, cement, paper, fertilisers and tyres.

Imports of Brazil have grown from 1496 million dollars in 1966 to 2849 million dollars in 1970. The major commodities imported by Brazil include machinery and vehicles, including parts and ancillaries, raw materials, chemicals and pharmaceuticals and other manufactured articles. Imports from India rose from 5 million rupees in 1966-67 to Rs. 8.3 million in 1970-71. Major items imported from India comprise of natural gums, resins, balasm and lacs, metal manufactures and pharmaceutical products. It is found that about 90 per cent of the total value of exports from India to this country are accounted for by lac. This product concentration in our exports to Brazil must be reduced and we must try to diversify our exports to this important market in Latin American region. Inadequate shipping facilities is another hurdle in this respect.

Brazil is a vast market with expanding potentials for imports. Her imports bill is supposed to be the
highest in Latin America. Export diversification in the direction of new manufactures like agricultural implements, electrical and textile machinery, transport and communications equipments and chemical products should receive attention of Indian exporters. There are also good prospects for exporting of leather processing machinery, tea processing machinery, and railway equipment and rolling stock.

PERU

Peru is one of the progressive countries of South America. She has vast mineral resources and she is the world's largest producers of vanadium deposits. With some important industries like textiles, food stuffs, household wares, metal products, chemicals, pharmaceuticals, cement, paper, domestic electrical appliances, tyres etc. She is now busy to promote rapid industrialisation through building up of infrastructure facilities like power, transport and communications etc. She also aims at modernising and mechanising agriculture. The economic growth of Peru has surpassed the targeted figure of 5.9 per cent to reach 7.3 per cent in 1970. With a fast growing national income and population (3 per cent per year)
Peru provides a good market for our exports. Her imports from India consisted of jute manufactures, rubber manufactures, lacs and iron and steel. But our exports of jute manufactures have been facing stiff competition from Brazil, and Argentina. India should however try to take advantage of the fast growing import potentials of Peru in view of her rapid economic growth and large programmes of industrialisation and investments. India can export a wide range of engineering goods to Peru, such as mining equipment, transmission lines and towers, machine tools, textiles and sugar mill machinery, transport and port equipment, marine diesel engines and diesel motors, agricultural implements, storage plants, small engineering items, basic chemicals, special steels and ferroalloys.

URUGUAY

Uruguay has a population of 2.80 million with a land area of 187 thousand sq. km. While Uruguay's imports rose from 164 million U.S. dollars in 1966 to 233 million U.S. dollars in 1970. Her imports from India shows a slight decline from Rs. 8.2 million to Rs. 6.0 million.
during the same period. Uruguay's G.D.P. was expected to rise by 5.2 per cent in real terms between 1965 and 1974 under her National Economic and Social Development Plan. She has been initiating a good deal of building construction activities and investments are taking place in export oriented industries. She has been receiving loans from various international agencies. These trends suggest that Uruguay provides a good potential market for Indian exports, though at present she is faced with inflationary conditions and also foreign exchange crisis. Uruguay provides a good market for exports of industrial raw materials, machine tools, transport materials, industrial and electrical equipment, road building and construction equipment etc.

The African Market

India's trade relations with Africa is studied
Agriculture predominates in the economies of various countries of the developing Africa. Agriculture contributes nearly 40 per cent of the G.D.P. In recent years industrial activity is gaining momentum and large scale industries are concentrated in a few countries like the U.A.R., Zambia, Algeria, Morocco, the Congo and Ghana. The structure of industries in the countries of Africa shows that there is a wide range of industries producing consumer goods, building materials, some technical products, machinery and transport equipment and metallic goods.

* West Africa: Dahomey, Gambia, Ghana, Guinea, Ivory Coast, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo and Upper Volta.

Central Africa: Cameroon, Central African Republic, Chad, Republic of the Congo, Democratic Republic of Congo and Gabon.


North Africa: Algeria, Libya, Morocco, the Sudan, Tunisia and the U.A.R.
The major industrial activity of countries in Central and East Africa pertains to processing of food products and beverages. In other regions, industrial activity is mostly confined to simple processing of agricultural and mineral products as well as production of non-durable consumer goods.

The pattern of trade of African countries is influenced by the industrial development in Africa. Indigenous production is replacing importing of large varieties of consumer goods. U.A.R. for instance is self-sufficient in cotton textiles. Whole of Algeria's imports of cloth and clothing are likely to be reduced due to increased local production of those goods. The Sudan is likely to become self-sufficient in sugar, footwear, cardboard and textiles. While Morocco is making rapid progress in chemical and mechanical industries. In spite of these trends in industrial production the demand for capital goods in Africa is likely to go up due to accelerated pace of industrialisation. The composition of imports into Africa shows that manufactured goods -- both consumer and capital -- account for nearly two-thirds of total imports. The other imports into the African countries comprise of food beverages and tobacco.
products. While imports of fuels and chemicals are insignificant.

Direction of Trade

The direction of trade of the African countries suggest that Western Europe and North America are the important regions for their import and export trade. Preferential trade agreements and economic aid to their development have been the important factors for the dependence of these African countries for their trade on the Western Europe and North America. This pattern of trade of African countries is supported by services like shipping, insurance, banking, suppliers' credit and marketing.

Composition of India's Exports

The composition of India's exports to African countries shows the dominance of traditional items like cotton piece goods, cotton yarn, and thread, jute manufactures, spices, tea and tobacco unmanufactured. A few non-traditional items like iron and steel, machines -- both electric and non-electric, transport equipment and other engineering goods -- have also entered the African market. It is found that India's share in
Africa's imports trade is less than two per cent. Between 1970-71 and 1971-72 there was a decline in our exports. A further decline in exports during 1972-73 is remarkable compared with 1971-72. Our exports to Africa during this period came down from Rs. 132 crores to Rs. 101 crores. There appears to be a stagnation in our export to Africa in recent years. Expansion of intraregional trade among the African countries and the dominance of West Europe and North America are some of the hurdles which India has to face in penetrating this potentially vast African market.

Table 3.11: India's Exports to African Countries (in Million Rupees)

<table>
<thead>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>73.1</td>
<td>60.4</td>
<td>81.2</td>
<td>77.4</td>
<td>78.7</td>
</tr>
<tr>
<td>U.A.R.</td>
<td>250.0</td>
<td>215.3</td>
<td>218.2</td>
<td>346.3</td>
<td>563.7</td>
</tr>
<tr>
<td>Sudan</td>
<td>145.7</td>
<td>207.4</td>
<td>184.7</td>
<td>198.4</td>
<td>332.7</td>
</tr>
<tr>
<td>Nigeria</td>
<td>4.6</td>
<td>46.3</td>
<td>30.8</td>
<td>38.1</td>
<td>86.2</td>
</tr>
<tr>
<td>Tanzania</td>
<td>42.0</td>
<td>40.9</td>
<td>49.3</td>
<td>40.7</td>
<td>44.0</td>
</tr>
<tr>
<td>Uganda</td>
<td>18.8</td>
<td>14.4</td>
<td>22.4</td>
<td>22.6</td>
<td>29.9</td>
</tr>
<tr>
<td>Zambia</td>
<td>20.2</td>
<td>19.6</td>
<td>12.4</td>
<td>16.4</td>
<td>29.6</td>
</tr>
</tbody>
</table>

Source: Compiled from different statistical tables in Trading with the World - I I P T., New-Delhi, 1972.
Our major importers in the African region are the U.A.R., Sudan, Kenya, Tanzania, Ethiopia, Ghana, Libya, Uganda and Zambia. The United Arab Republic alone accounts for 40 per cent of the total exports. This suggests the lopsided development of India's export trade. The major hurdles on India's part in penetrating into the African markets are: (1) The poor quality of the products (2) inadequate export credit (3) insufficient after sales service (4) ineffective salesmanship. In addition to these the Indian exporters are handicapped by lack of adequate commercial information and the difficulty in getting tender documents.

India can boost up her export prospects through participation in joint ventures, provision of consultancy services and liberal credit facilities to buyers in Africa. India has sufficient scope to boost up her exports of engineering goods, chemicals and allied products.

Let us make an analysis of our export to a few selected countries of Africa.
Kenya is an important market for our exports in the East African region. Our exports to Kenya consist of both traditional and non-traditional goods. Jute manufactures and cotton textiles, engineering goods, iron and steel, medicinal and pharmaceutical products and fabrics of artsilk etc.

Kenya is making rapid strides in her economic development with greater stress on self sustained and self generating process. She aims at setting up of a few major projects like meat and bacon factory, sugar canning factory, and plants for tyre manufacturing and beer. Kenya also envisages modernisation of railway system and expansion of telecommunication services. All these development programmes under Kenya's Development Plan provide ample opportunities for our exports in the field of iron and steel, machinery and transport equipment.

Exports from India in the traditional products have been adversely affected because of the departure of a large number of non-citizen Asian Traders who had links with this country for the last few decades. In the field
of textile exports India is facing the problem of indigenous production of textiles in Kenya. Similarly Kenya's market for our export of jute bags is declining due to her near self sufficiency in this field. The future growth of exports to this market depends upon our ability to supply and retain the Kenyan market for the non-traditional goods mentioned earlier.

UNITED ARAB REPUBLIC

U.A.R. or Egypt has a population of 34.0 million with a land area of 1.002 million sq. km. Agriculture contributing about 2.5 per cent of national product is the largest single sector of the economy. Cotton being the biggest cash crop accounts for 60 per cent of the foreign exchange earnings in the visible trades. About 20 per cent of the G.N.P. is derived from manufacturing industry. Petroleum industry is the fastest growing sector in U.A.R.

Import trade in U.A.R. is nationalised. Government has banned the imports of all the items which are locally manufactured and cover market requirements. Such items include textiles, handicrafts, aluminium
utensils, cosmetics, cigarettes, travel goods, floor coverings and furniture. Imports of capital goods are given priority. This shows the structure of imports on which our export policy must be based in relation to U.A.R.

India has signed a trade expansion and economic cooperation agreement with U.A.R. and Yugoslavia. This agreement provides for special tariff concessions to each other by way of reductions (upto 50 per cent) in customs duties over 500 products.

U.A.R. has launched development planning. The third plan (1970-75) aims at developing industries like engineering, metallurgical, chemical and petroleum industries and traditional industries like spinning and weaving and textiles.

India's trade with the U.A.R. has been diversified in recent years. Formerly our exports to the U.A.R. consisted mainly of traditional items like tea, jute goods, spices and tobacco. Now India has been able to sell a wide range of engineering and capital goods. There are good exports opportunities for chemicals and new types of engineering goods.
SUDAN

Sudan has a population of 15.70 million. She is preeminently an agricultural country where agriculture accounts for 50 per cent of G.D.P. Cotton is the main cash crop accounting for 50 per cent of her total export earnings. Her industry has developed slowly and accounts for only a small proportion of the economic activity. Sudan's imports amounted to 288 million U.S. dollars while her exports were 298 million U.S. dollars. Sudan's major imports are machinery and equipment, iron and steel, glass and glassware, insecticides, dyes wholly of cotton, tea, mendicants, sacks and jute, and fruits and vegetables. The commodity composition of imports of Sudan shows substantial scope for exporting those goods by India, which has natural production advantage in those goods. Sudan also provides a good market for Indian exports of capital equipments since she has launched development planning envisaging huge amount of investment. She aims at establishing sugar factory, cardboard factory, fertiliser plants, insecticide plants, fruits and vegetable canning factories and industries like asbestos cement sheets, pipes, building materials, tyres and match manufacturing. These industrial activity provides ample scope for the exports of machinery and equipment and also consultancy services.
India's export trade with Sudan is dominated by traditional items like tea, textiles, and jute products. India should try to diversify her exports by introducing non-traditional items like engineering goods, tools, and drugs and pharmaceuticals in this market. Diversification is a must since there has been severe competition from Pakistan, and China for our traditional exports in Sudan's market.

India should avail herself of the export opportunities provided under the trade agreement with Sudan. The agreement provides for imports by Sudan of some of our non-traditional items such as spices, essential oils and perfumes, steel bars, rods, rounds and structural, oil mill machinery, commercial motor vehicles, components, spares and ancillaries, diesel engines and pumps, machine tools, sewage and water treatment plants, sewing machines, electric wires and cables, electric fans, lamps, and light fittings, dry and storage batteries, bicycles and components, railway track materials, and rails, builder's hardware, various ferrous and non-ferrous metal manufactures and manufactures of plastic, rubber, and leather.
Nigeria is an important market for Indian exports in West Africa. She has a population of 66 million with a land area of 9,23,773 sq. km. Her imports and exports in 1970 were 1059 million and 1240 million U.S. dollars respectively. India exported goods worth Rs. 86.2 million in 1970-71. Major items of exports from India to Nigeria consist of made up articles wholly or chiefly of cotton, transport equipment clothing, manufactures of metal, cotton piece goods, machinery other than electric, jute cloth, cotton yarn, and thread and electric machinery.

The above list of exports to Nigeria shows a balance of both traditional and non-traditional items of exports from our country. Nigeria has removed import restrictions since 1971. This provides a good opportunity for Indian exports to that country. Further inroads into the Nigerian market depends on our ability to keep up delivery schedules and quality of goods, and reconcile to the inevitable delay in settling payment. We should make further efforts to increase shipping services between India and Nigeria.

TANZANIA

Tanzania is an important trade partner of India in East African region. She has a population of 13.4 million. Her exports and imports were of the order of £38 and £272 million U.S. dollars respectively in 1970. India's exports to Tanzania consist of cotton piece goods, jute manufactures, iron and steel, transport equipment, electrical machinery and made up articles wholly or chiefly of cotton.

Tanzania which is a federation of Tanganyika and Zanzibar is predominantly an agricultural economy where agriculture accounts for 40 per cent of G.D.P. Manufacturing industry accounts for a very small proportion of its G.D.P.

Export Potentials

Tanzania has launched development planning. It aims at increasing agricultural productivity, conversion of subsistence agriculture into cash farming and a faster rate of industrialisation. These development programmes provide ample opportunity for expanding our exports of equipments, machinery, building materials.
and also for providing consultancy services where we have made rapid progress.

Indian export to Tanzania have not grown much in recent years. Efforts must be made to induce Tanzania to buy our goods by providing credit facilities, and participating in joint ventures. India and Tanzania have signed trade agreement to expand their trade and economic cooperation.

UGANDA

Uganda is another important trading country with India in the East African region. It has a population of 9.76 million. Her economy is predominantly agrarian, where 95 per cent of the population is engaged in agriculture. Agricultural sector contributes 85 per cent towards export earnings of which again coffee and cotton account for 75 per cent of the total exports earnings. Efforts are being made to diversify the economy through industrialisation. But the industry is mostly made up of the processing of the agricultural products such as cotton seed, coffee, sugar and tobacco.
Uganda's exports and imports during 1970 amounted to 246 and 121 million U.S. dollars respectively. The major items of imports by Uganda consist of machinery other than electric, manufactures of metal, buses, lorries and vans and tractors, electrical machinery, other transport equipment and fabrics of synthetic fibre. India's exports to Uganda comprise of jute manufactures, machinery other than electric, transport equipment, made up articles, wholly or chiefly of cotton, cotton fabrics, fabrics of art silk and synthetic fibre and spunglass, and manufactures of metal. The above pattern of India's exports conforms to the overall pattern of Uganda's imports. Uganda has launched programmes of planned economic development. This is likely to be accompanied with increased demand for various capital equipment and know how which India is capable of supplying. India has also concluded joint ventures to be set up in Uganda with Indian collaboration. There are very good prospects for exports of our engineering goods with further increase in the number of joint ventures in Uganda.
ZAMBIA

Zambia is our another trading partner in East Africa. India’s exports to Zambia rose from Rs. 10.4 million in 1965-66 to Rs. 29.6 million in 1970-71. Zambia’s total imports rose from 345 million U.S. dollars in 1966 to 365 million U.S. dollars in 1970 (Jan.–Sept.). The major commodities of imports by Zambia are food, mineral fuels, lubricant and materials, manufactured goods and machinery and transport equipment. Her imports from India comprise of made up articles, wholly or chiefly of cotton, cotton piece goods, footwear, bicycles and other cycles (not motorised) and their parts, rubber manufactures, metal manufactures and clothing. The above pattern of Zambia’s imports from India and her overall imports suggests that India should try to get market in Zambia for the exports of machinery and transport equipment. Zambia also provides a good market for capital equipments and building materials, since she has launched development plans since 1966. Her development programmes include construction of new roads to Malawi and Tanzania, the Kafue power scheme laying of oil pipeline from Tanzania, steel complex, fertilisers plants, shoe manufacturing plant, jeep assembly plant, cigarette factories, bicycle tyre and tubes factory and radio
factory and tubes of factory. These various projects provide ample opportunities for exports of machinery equipments, technical knowhow etc. India can also assist Zambia in setting up of turney key projects and thereby promote our exports of materials and knowhow. India can supply equipment for Zambian railways. Indian exports should broaden their base of representation. There are good potentials in Zambia for exports of bicycles, and bicycles parts, jute manufactures, cotton fabrics, dry batteries, sewing machines, table fans, canned foods, enamelware, building materials and artisan tools. 25

The Asian Market

India's trade with the Asian countries has been growing at a very fast rate. Asian countries have been divided into two parts -- the East Asian countries and the West Asian countries for purposes of analysing our trade in this developing region of the world. East Asia comprises of democratic peoples of Republic of Korea, the Republic of Korea, the Peoples of Republic

of China, the Republic of China (Taiwan), Japan, Hongkong, Singapore, the Phillipines, Indonesia, Malaysia, the Democratic Republic of Vietnam, the Republic of Vietnam, Laos, Cambodia, Thailand, Burra, Bangladesh, Nepal, Srilanka, Pakistan and Afghanistan. The West Asian region comprises of Behrien Islands, Cyprus, Dubai, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, the Maldive Islands, Muscat and Oman, Qatar, Saudi Arabia, Syria, the Arab Republic of Yemen and the peoples Republic of Yemen.

The East Asian Market

Our exports to East Asian countries have gone up from Rs. 352.82 crores in 1970-71 to Rs. 366.48 crores in 1971-72 and further to Rs. 499.10 crores. Regionwise distribution of our exports in 1972-73 shows that East Asian countries accounted for slightly over 25 per cent of our total exports as against 24 per cent to East Europe 22.3 per cent to West Europe and 15.8 per cent to America. A brief analysis of our exports prospects and problems in the East Asian region is made here.
Japan

Japan is the most important trade partner of India in East Asia. Our exports to Japan rose from Rs. 13,592 lakhs in 1967-68 to Rs. 20,348 lakhs in 1970-71 and further to Rs. 21,716 lakhs in 1972-73. The increased exports to Japan is mostly due to the expanding needs of the Japanese economy particularly in regard to her requirements of mineral ores. This has led to the development of some iron ore mines in our country for exclusive export of ore to Japan. Exports of oil seed cakes and fish and fish-preparations to Japan are the other significant items of exports which have come up in recent years. Other items of exports to Japan include raw cotton, jute manufactures, leather, rose wood, tobacco (manufactured) mica, manganese ore, ores and concentrates of nonferrous metals, pearls and precious and semi precious stones, animal casing, palm fibre for brushes, tea, spices, cashewkernal; clay and refractory materials, coir goods etc., India has also exported to Japan napthasolvent crude, iron and steel ferrous scrap on some occasions.

Import Potentials of Japan

The import potentials of Japan and the export
prospects of India to this country have to be properly aligned. Japan has been the fastest growing country in the world during the post World War II. Her overall annual growth rate of the economy has been 10 per cent and her industries have recorded a high growth of 17 per cent a year. No doubt the global oil crisis and the recent revaluation of the Yen have been responsible for the slow down of her economic growth, since Japan's fuel requirements are overwhelmingly met by imports of crude oil from the West Asian countries. The oil crisis of Japan is bound to adversely affect the exports of our iron ore. Japan's improvements in her relations with China also is likely to affect our trade with her. But there are some factors which could be favourable to our export trade with Japan. Firstly Japan is likely to grant a generalised system of preferences to the exports of manufactures and semi-manufactured goods from the developing countries covering 892 items of which 776 qualify for duty free imports and another 57 items are to be subjected to 50 per cent cut in tariff. According to one source, this preferential treatment is likely to benefit us to a tune of Rs. 30 crores. Secondly Japan

is likely to look to the developing countries for the supply of materials in semi-processed form to her industries due again to the high cost of fuels rising wages and growing pollution of its atmosphere. This factor too provides ample opportunities for exports to Japan. Thirdly Japan is evincing keen interest in collaboration ventures like petrochemical industry, the machinery industry, development of our mineral resources etc. The periodical meetings of the industry and business representatives of Japan and India under the Indo-Japanese economic cooperation programme have been helpful in promoting our exports trade with her. Japanese businessmen have agreed to buy massive quantities of mineral ores and textile goods and more of marine products and machinery items. It is mentioned that very good prospects exist for the exports of the following items to Japan in view of the interest shown by Japan's External Trade Organisation (JETRO): woollen fabrics, diamonds, nuts and bolts, hand tools, tools for use in machines, office machines, machine tools for metals, textile machinery pumps and centrifuges, parts and accessories of machinery, electrical power machinery, switchgears insulated wires and cables, transistors and
valves, electrical measuring and controlling equipment and apparatus, electrical condensors, motor vehicle parts, travel goods, hand bags, clothing of textile fabrics, footwear etc. There is also good demand for spices, oilcakes, cashewkernel, cashewshell oil, groundnuts, coir and coir products, coffee, mica, titanium ores and shellac etc. Among the important items of exports from the engineering sector which have good prospects in Japan are hand tools, cutting tools, bicycle components forgings, ferrous casting, steel casting, cutlery, surgical instruments, electronic equipment and components, machine tools, builders hard ware, sanitaryware and sanitary fittings, industrial valves, components of marine engines, gas meters, water meters, autocomponents, switch gears, insulated wires and cables, electrical condensors etc.

The study conducted by IIFT mentions that "with the Japanese labour costs going up, India with its abundant supply of skilled labour should take advantage of this opportunity and concentrate on exports of labour intensive light engineering and electronic products."

Bangladesh has a population of 70.2 million with an area of 55,126 sq. miles. Her total imports in 1969-70 were ₹ 476 million. India’s exports to Bangladesh amounted to Rs. 33 lakhs in 1970-71. They were raised to Rs. 42.97 crores in 1971-72 and further to Rs. 158.30 crores in 1972-73. India and Bangladesh have signed a trade pact envisaging a two way balanced trade of Rs. 500 million in 1972 under which India’s exports to Bangladesh will comprise of tobacco, cement, coal, cotton yarn, machinery and spares etc.

The emergence of Bangladesh as an independent country has opened a new vista in the relations between the two countries. India has given substantial grants and credit to Bangladesh. There is a good amount of complementary in trade and economic relations between India and Bangladesh. She can meet our requirements of jute, newsprint and fish and small quantities of paper. India in turn, can meet her requirements of capital equipment, machinery, transport equipment and also a large number of consumer goods. No doubt Bangladesh’s dependence on India for her imports is likely to decline when conditions are normalised since other countries
are likely to establish normal trade and economic relations with her. It is found that the advanced countries like the U.S.A., U.S.S.R., U.K. and Japan are taking keen interest in trade with Bangladesh. They have been helping her through economic assistance in rebuilding her infrastructure. Japan is showing keen interest in setting up joint ventures in Bangladesh. All these developments need not dampen our export prospects in Bangladesh. We should try to set up joint ventures in Bangladesh and try to promote our exports to this potentially important market in East Asia since our geographical nearness and traditional trade and economic relations with her give us an advantage over other countries.

NEPAL

India's exports to Nepal accounted for 63.3 per cent of her total imports in 1969-70 which shows a decline from 74.5 per cent in 1964-65. Nepal's imports from India comprise of textiles, fresh and processed food, transport equipment metal manufactures, iron and steel, non ferrous metals light engineering products, drugs
and pharmaceuticals, ready made garments, leather manufactures and a host of other consumer goods.

India has signed a Treaty of Trade and Transit with Nepal in 1971 for a period of 5 years. Nepal's import policy is liberal toward India. Nepal is making efforts to develop her economy with the assistance from many countries including India. This would provide India to diversify her export trade with Nepal. With the growth of industrialisation her requirements of equipment and machinery will increase. This will provide an opportunity to our exporters to export such items to Nepal.

AFGHANISTAN

Afghanistan is one of our important trade partner in East Asian region. Our exports to Afghanistan more than doubled between 1966-67 and 1970-71. Our exports to Afghanistan consist mostly of manufactured goods such as cotton pieces goods, fabrics of artsilk and synthetic fibre and spunglass, transport equipment, clothing etc.. Other major exports to Afghanistan consist of tea, works of art, and plant seeds etc.. used in perfumery.
Afghanistan's import propensities are likely to rise due to her development planning. There is a growing demand in Afghanistan for building materials, paints and varnishes, electric wires and switches, steel pipes, sanitary wares and fittings, mild steel ground bars, petroleum products like bitumen, glazing glass, cement etc. India can very well compete with the present suppliers of these items viz., U.K., Pakistan, Japan and West Germany. India can also supply mining machinery since Afghanistan is likely to develop mining as she has rich deposits of iron ore, coal etc. Afghanistan also provides a good market for automobiles and automobile components and ancillaries and rubber tyres and tubes.

Afghanistan has been encouraging foreign investment to accelerate industrial growth. India can help Afghanistan in this field through joint industrial ventures and consultancy services which will provide good export opportunities to us. The Trade Agreement (1972-73) entered into between India and Afghanistan provides for establishment of a joint venture plant for the production of extracts of medicinal herbs and plants grown in Afghanistan.
CEYLON

Our exports to Ceylon rose from Rs. 148.0 million in 1966-67 to Rs. 318.2 million in 1970-71.
India's exports to Ceylon comprise of spices, fruits and vegetables, cotton yarn and thread, iron and steel, transport equipment, petroleum products, fish, cereal and cereal preparations, bidi wrapper leaves and sugar and sugar preparation. Ceylon's economy is very much dependent on exports of tea and rubber. Efforts are made to develop industries and a steel plant, a tyre factory and an oil refining unit have been recently set up. Industrial production is very much dependent on imported raw materials. They are making efforts to increase irrigation and cultivation of subsidiary foodstuffs such as potatoes, chillies, pulses and vegetables. This development is likely to result in a shrinkage of our exports to Ceylon. Efforts will have to be made to increase our exports of nontraditional type such as capital goods, machinery engineering goods and chemicals. We should try to expand our exports to Ceylon through providing of consultancy services, machinery and equipment and through setting up of joint ventures. Indian Government has approved joint ventures to be
started in Ceylon for sewing machines, glass, pharmaceuticals, electric motors and pumps and auto-electrical parts.

Other Countries in East Asia

Philippines, Hong Kong, Burma, Cambodia, Indonesia, Korea (South) and Korea (North), Malaysia, Singapore, Thailand, Taiwan and Vietnam (South) and Vietnam (North) and Pakistan are the other countries in the East Asian region with whom India has trade contacts. Our exports to these various countries comprise both of traditional goods and non-traditional goods, like cotton fabrics, tobacco, jute manufactures fruits and vegetables, pearls and precious stones etc. Non-traditional items comprise of iron and steel, medicinal and pharmaceuticals, transport equipment, metal manufactures, fish, sugar, machinery etc. Further expansion of our exports to East Asian countries depend upon the extent to which we can improve (1) infrastructure in communication and transportation (2) provide credit facilities (3) adjust our production pattern to the imports needs of these countries, (4) and provide consultancy services and participate in joint ventures in these countries since they are engaged in diversifying their economies through industrialisation.
The West Asian Market

The major importers from India in this region are Iran, Iraq, Kuwait, and Saudi Arabia. Let us have an analysis of the pattern, problems and future prospects for our exports to these countries.

IRAN

Our exports to Iran more than doubled between 1966-67 and 1970-71. Major items of our exports consist of iron and steel, jute manufactures, nonferrous metals, transport equipment, tea, paper and paper board manufactures, metal manufactures, machinery other than electric and spices. The list shows a balance between traditional and non-traditional type of items. Iran's development plans provide good scope for our non-traditional exports like capital equipment, machinery and heavy engineering products. Iran is trying to develop her own light engineering industry and the prospects for our traditional items like tea, jute etc., are not bright due to severe competition from Pakistan and Ceylon.

IRAQ

Our exports to Iraq comprise of tea, iron and
steel machinery and equipment, jute manufactures, cereals and cereal preparations, copper, wood and cork manufactures, paper and paper board and manufactures, and plastic materials etc. India's exports to Iraq rose slowly from Rs. 59.4 million in 1966-67 to Rs. 114.9 million in 1968-69 but came down to Rs. 96.3 million in 1970-71.

Iraq has also launched her own development plans since 1951-52. She is trying to modernise her agriculture and diversify her industrial sector. India can supply her requirements of plants and equipments to her industries. The major hurdle in expanding our exports to Iraq is the inability of our exporters to supply goods on credit terms or deferred payment basis. The IDBI and other institutions should help our exporters in this respect. The recent oil boom has enhanced the buying capacity of Iraq and we should take advantage of this to boost our exports.

KUWAIT

Kuwait with a population of 0.71 million and a land area of 15,540 sq. km. is the most affluent country
in West Asian region. She possess about one fifth of the world's oil resources. Oil exports constitute the mainstay of Kuwait's economy. She has been of late, developing some new industries like fertilisers, steel pipes, cement, bricks and beverages. She has been trying to develop various infrastructure in the field of transport and communication. These provide good prospects for our exports of transport equipments, engineering goods, machinery apart from various consumer goods.

Our exports to Kuwait comprise of machinery and transport equipment, iron and steel, spices, cotton manufactures, fruits and vegetables and jute manufactures. Kuwait with growing affluence, shortage of technical managerial skills and higher labour costs, provides a good market for a wide range of goods.

SAUDI ARABIA

This is the largest exporter of oil in the Middle East accounting for about 28.6 per cent of world crude reserves. Soudi Arabia is mainly an agricultural country with 75 per cent of her population engaged in
agriculture. There are small scale industries catering to domestic needs. Modern industries like mineral waters, industrial gases, cement, bricks, a steel rolling mill and an aluminium plant have been set up recently.


Saudi Arabia has launched development plans to reduce her dependence on oil. The emphasis of development is on road construction, port, airport and telecommunication schemes, irrigation, drainage and other agricultural projects, establishment of new industries, schools, health and housing schemes. These development schemes have raised her imports particularly of capital goods. It is necessary to further enhance our export prospects to this country since her development schemes are likely to get a further stimulus due to the recent oil
boom. The IIFT study maintains that "Geographical proximity and traditional, cultural and trade relations can prove to be an asset for India in exporting and diversifying its export trade." The same study mentions that there are good prospects for Indian exports of canned fruits and vegetable preparations, textiles, readymade garments, footwear, steelware, furnishings, domestic ware, toiletries, drugs and medicines, and light engineering items like fans, sewing machines, air conditioners, building materials, electrical goods, plastic goods, bicycles, rubber products, storage batteries, water pumps and transmission equipment.

Other Countries in Western Asia

India's exports have also found market in Jordan, Lebanon, Bahrain Islands, Dubai, Muscat and Oman, Qatar, Cyprus, People's Republic of Yemen, the Arab Republic of Yemen, Syria and Maldives Islands in West Asia. Indian exports to Jordan, Lebanon, the Bahrain Islands, Dubai, the two Yemens, Muscat and Oman, Qatar, Cyprus, Syria and the Maldives Islands consist of a large number of agricultural and industrial goods. The important items comprise of cereal and cereal
preparations, fruits and vegetables, sugar, tea and coffee, spices, unmanufactured tobacco, perfumery and cosmetics, leather goods, cotton fabrics and yarn, jute manufactures, iron and steel paper and paperboard, metal manufactures, aluminium, machinery and transport equipment, jewellery and precious and semi-precious stones developed cinematograph films, essential oils, hydrogenated oils, floor coverings, lime and cement, wood products etc.

These countries provide a good market for iron and steel and engineering goods since they are in the process of industrialisation. India can boost up the exports of these goods and also provide consultancy services to these countries.
Table 3.13: India's Exports to West Asian Countries (Rs. in Lakhs)

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<td>1. Bahrein Islands</td>
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<td>3. Dubai</td>
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<td>567</td>
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<td>4. Iran</td>
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<td>2146</td>
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<td>939</td>
<td>963</td>
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<td>76</td>
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<td>7. Jordan</td>
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<td>185</td>
<td>320</td>
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<td>8. Kuwait</td>
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<td>9. Lebanon</td>
<td>153</td>
<td>180</td>
<td>141</td>
<td>103</td>
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<td>10. Maldive-Islands</td>
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<td>11. Muscat &amp; Oman</td>
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<td>127</td>
<td>110</td>
<td>224</td>
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<td>12. Qatar</td>
<td>440</td>
<td>703</td>
<td>1007</td>
<td>1117</td>
<td>285</td>
<td>327</td>
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<td>13. Saudi Arabia</td>
<td>590</td>
<td>1097</td>
<td>1500</td>
<td>1451</td>
<td>113</td>
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<td>14. Syria</td>
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<td>115</td>
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<td>15. Yemen (Arab Republic)</td>
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<td>2</td>
<td>16</td>
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<td>16. Yemen(s) People's Republic</td>
<td>526</td>
<td>775</td>
<td>677</td>
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India's Prospects and Problems in the Asian Market

Asian countries in general are at the doorstep of rapid industrialisation. Expansion of intraregional trade is in the interest of all the Asian countries including India. India is in a better position to bring about greater complementarity in trade and thereby promote mutual growth of the Asian countries. Promotion of joint ventures, provision of consultancy services and extension of credit and deferred payment facilities are some of the measures through which India can expand her trade with the Asian countries and enhance her export prospects. Let us analyse these aspects and try to identify the problems involved in this process of promoting intraregional trade and economic cooperation in the region.

Joint Ventures

India can increase her export prospects in the Asian region through joint industrial ventures. She has already started a number of industrial units with the collaboration of the local entrepreneurs or government agencies in a few countries of Asia. Such joint ventures range from cotton and woollen textiles and food canning to a variety of engineering goods. Joint ventures
started by Indian entrepreneurs over sewing machines, electric fans, diesel engines, trucks, scooters, automotive parts, airconditioners and coolers, rerolling mills, electric motors and transformers. There are also other units under this arrangements in pharmaceuticals, paper and pulp, cork products, builders' hardwares, steel furnitures, safety glass, housepipes and cement. Various Asian countries have been benefited by these joint ventures with Indian collaboration viz., Afghanistan, Ceylon, Indonesia, Malaysia, Philippines, Singapore, Thailand.

Joint ventures have good export potentials. The Indian industrialist associating in such joint ventures can naturally press for the imports of various equipments and knowhow from India in the initial stages. This will lead closer trade relations with the various Asian countries.

Consultancy Services

Exports of consultancy services too have great prospects in the Asian countries. Most of the Asian countries are in their initial stages of industrialisation and they need technical know how for their various
development programmes. India has made good progress in the intermediate type of technology which suits the requirements of these countries with abundant manpower. The sophisticated technology available from the advanced industrial nations does not suit them. Thus Asian countries provide a good market for the export of consultancy services both from the private and public sector.

The Problem of Limited Complementarity

Indian exports to Asian countries are faced with the problem of limited complementarity with the economies of our neighbours in the Asian region. There is little amount of complementarity which has resulted in the comparative insignificance of intra-regional trade. The intraregional trade in the Asian countries amounts to 15 to 20 per cent of their total external trade. In the ECAFE region for instance, the intraregional trade was only 32 per cent in 1968 whereas the intraregional trade of developing countries of ECAFE sub-region (excluding developed countries like Japan, Australia and New Zealand) as a proportion of the trade of these countries with the rest of the world was only 15 per cent in 1968.
India's exports to East Asian countries amounted to Rs. 22,238 lakhs in 1967-68 and rose to Rs. 35,881.6 lakhs in 1970-71 and further to Rs. 49,910 lakhs in 1972-73 while her exports to West Asian countries (excluding Egypt) amount to Rs. 5,747 lakhs in 1967-68, Rs. 10,273 lakhs in 1970-71 and Rs. 9,555 lakhs in 1972-73. The foregoing analysis (countrywise) has shown that our exports of manufactures have gone up considerably to the Asian countries. There are very good prospects for export of heavy engineering goods, machinery transport equipment pharmaceuticals and drugs and light engineering products. The oil boom has enhanced the import propensity of the oil exporting countries in the East and West Asian region. This development must be fully exploited by India in her efforts to expand exports to meet the heavy payment for oil.

Indian exports to Asian countries have risen considerably in the recent years but still the share of our exports in the total imports of some Asian countries is very little. It is only 1.55 per cent of Japan's total imports. India's share in the total imports of Iran is 1.68 per cent; Malaysia 0.85; Singapore 0.80; Philippines 0.08; Thailand 1.12; Indonesia 0.25; Hongkong 0.61; Iraq 1.52; Kuwait 2.62 and Saudi Arabia 1.74 per cent.
India's exports to Asian countries are hindered due to large amount of similarity of specialisation and trade in the Asian region. Many Asian countries produce most of the world's raw materials for the markets outside the region. Ceylon for instance specialises in tea and rubber; Malaysia in tin and rubber; Indonesia in tea petroleum, tin and rubber. Similarly India's traditional exports consist of tea; jute and cotton textiles. This pattern of specialisation of production and exports shows a large amount of competitiveness rather than complementarity. This calls for harmonisation of national development plans to avoid duplication and waste.

A large number of developing countries of Asia depend upon the markets of the developed West for their exports. This dependance is risky in view of the strong protectionist undercurrent developing in the U.S. and Western Europe at present.

Expansion of intraregional trade in Asia and cooperation in other fields needs some definite measures by the countries of the region. It is necessary to have a joint organisation for undertaking the collection of comprehensive data regarding the export potential of each country and import requirements of others in the
region. Indian exporters must take advantage of the growing market in Asia and production must expand in the specified fields to meet the demand. A system of preferences for imports from the countries of the region will give a boost to the export potentials of other members of the region. India can enhance her export prospects with necessary expansion of transport facilities. She should also give the necessary financial and technical know how to expand the transport facilities in various Asian countries since improvement in infrastructure will be a plus factor in promoting trade and development. A regional payments union for incremental trade for an automatic liquidation of credits or debits and also for reciprocity over a period of time would be helpful in this respect.