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INDIA’S EXPORT TRENDS

4.1 Introduction

"Export or perish" slogan was coined by the then Prime Minister Pt. Jwaharlal Nehru during early sixties. Every country has to export, as it is necessary for earning foreign exchange, for economic and industrial development and for progress and prosperity of a country. There is no substitute for export promotion. Interdependence among the various nations and governments is an inevitable factor in the modern world. This interdependence is particularly predominant in the sphere of international trade and commerce.

4.2 Role of exports in economic development

No country can achieve self-sufficiency in all the goods and services that are required by it. The export and import of commodities is therefore an indisputable fact of the normal economic life of any country. Foreign trade occupies a place of strategic importance in the context of economic development of a developing nation. It is the lifeline of the Indian economy. Economic growth and foreign trade are intimately connected. Exports contribute to economic development in three ways.

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Firstly, an increase in exports implies an increase in Gross National Product (GNP) other things remaining the same.

Secondly, because of interdependence of various industries, export industries affect growth through linkages. This would mean capital formation, technical change and reallocation of resources.

Thirdly, since exports are the source of foreign exchange, they affect growth via import of capital and intermediate goods whose availability is essential for transferring saving into investments. Thus, larger the gains from trade faster will be the progress of country.

The importance of exports for a developing country is on account of the following:

4.2.1 Import requirements for economic development

All countries and developing countries in particular, need to import various commodities, including necessities, in order to meet the increasing demand for them in the domestic market. With sluggish or declining export earnings, the capacity to import sophisticated technology, capital goods, equipments and other essential inputs for building a sound infrastructure base for industrialization becomes limited. Foreign aid, though useful in the short run, cannot be a permanent solution for meeting an ever increasing need for foreign
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exchange because of problem of debt servicing, repayments, and obligation to lending countries. Similarly, import substitution in the face of fast changing technology will render a country obsolete and is therefore not an effective means for industrialisation of a developing country.

Imports of technology, machinery and equipment are indispensable especially by developing countries for accelerating growth and thereby the economic growth. Export brings in the foreign capital required and increases the country’s importable capacity. It also provides the funds for financing various development programmes, which would otherwise be dependent on foreign aid.

It is therefore imperative to expand exports and to import essential commodities on a selective basis. Export promotion becomes the cornerstone of industrialization. The development of export trade and the expansion of export earnings is the best way to augment a country’s capacity to import and to take care of the imbalance that may exist between import requirements and foreign exchange earnings.

4.2.2 Natural and cost advantage

Differences in climatic conditions, natural resources, technology and capital provide some regions and countries with a natural advantage over other regions and countries in the production and sale of some goods. Although it may be possible for a country to produce every kind of goods and services it requires,
it cannot produce them with equal advantage. It is therefore prudent or advantageous for a country to produce and sell those goods for which it has a comparative advantage and import those goods in which it has comparative disadvantages. This will provide a wide variety of goods and an improved standard of living to consumers of the country.

4.2.3 Earning foreign exchange

Export enables a country to earn substantial foreign exchange and strengthen the national economy. It enables countries to import basic raw material, advanced technology and various components which accelerate the process of industrialisation and economic growth. A strong foreign exchange base also enables a country to face financial difficulties without major dislocation. Foreign exchange earning can be accelerated only by promoting exports.

4.2.4 Solving balance of payments problem

Large-scale exports solve balance of payments problem to a considerable extent and enable countries to have favourable balance of payments position. This is because surplus of exports over imports leads to favourable position in the balance of trade. Exports raise foreign exchange earnings and add to the prestige and goodwill of a country.
4.2.5 Promoting economic development

Exports are also required for promoting economic and industrial development. The optimum utilization of resources of a country may not be possible within the narrow confines of domestic market. Business grows more rapidly if it has access to international markets. Thus exports are indispensable to speed up the tempo of economic and industrial development.

4.2.6 Increasing production and employment

Exports facilitate large-scale production of goods and services. Additional demand in the overseas markets generates employment opportunities. This also leads to optimum utilisation of available resources. Exports encourage research and development activities in order to improve the quality of exportable items and reduce their production cost.

4.2.7 Helping hand to tertiary sector

Export facilitates the expansion of tertiary sector, which includes transport, insurance, banking and so on. Better export performance provides fillip to the tertiary sector. It leads to development of transport, shipping, insurance and banking. These sectors also earn foreign exchange for the benefits of the country.
4.2.8 Raising standard of living

Large-scale export makes the country strong, stable and rich. It earns foreign exchange, which can be used for importing goods and services useful for raising living standard of people.

4.2.9 Participating in international co-operation

Export facilitates international co-operation for the benefit of all participating countries. Cordial relations are developed among the nations and this helps countries in bringing economic development at the global level.

4.2.10 Interdependence of countries

No country is completely independent and self sufficient in its entire requirements. It is not possible for any country to manufacture all its requirements due to geographical, climatic, financial and other constraints. This international interdependence facilitates export marketing. Countries (developed, poor and developing) have to import goods and services from other countries and in return export goods to some other countries. This suggests the need of export marketing in the case of all countries.
4.2.11 To overcome trade deficits and debt servicing

Developing countries borrow heavily from advanced countries to meet their economic needs. This leads to the problem of repayment of debt along with service charges. Repayment of debts may not be possible unless foreign exchange is earned through export promotion. This suggests the need of large-scale exporting. Exports are also essential to maintain credibility among lending countries for payment of interest and monies obtained by way of external assistance, to finance development schemes and to ensure that foreign aid is not wasted in debt servicing. Export earnings also provide an atmosphere for the attraction of fresh loans and investment by raising the domestic growth rate.

Export trade thus leads to growth and development of a country by

1. Providing opportunities for increasing production.
2. Enabling specialization of production of goods for which it has a natural advantage.
3. Facilitating optimum utilization of available resources.
4. Enabling use of latest technological know how in production.
5. Providing access to essential raw materials.
6. Leading to improvement in the quality of production.
7. Increasing the demand for the goods and foreign exchange earning, which may be used.
8. For managing external debts and for importing essentials.
India's export trends

The importance of exports and imports to the Indian economy may be seen from the following table, which gives the percentage share of exports and imports to national income.

Table 4.1
Share of Exports and Imports to National Income

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-93</td>
<td>7.2</td>
<td>8.5</td>
</tr>
<tr>
<td>1993-94</td>
<td>8.1</td>
<td>8.5</td>
</tr>
<tr>
<td>1994-95</td>
<td>8.2</td>
<td>8.9</td>
</tr>
<tr>
<td>1995-96</td>
<td>9.0</td>
<td>10.4</td>
</tr>
<tr>
<td>1996-97</td>
<td>8.7</td>
<td>10.2</td>
</tr>
<tr>
<td>1997-98</td>
<td>8.6</td>
<td>10.2</td>
</tr>
<tr>
<td>1998-99</td>
<td>7.9</td>
<td>10.1</td>
</tr>
<tr>
<td>1999-00</td>
<td>8.3</td>
<td>10.4</td>
</tr>
<tr>
<td>2001-02</td>
<td>9.0</td>
<td>11.5</td>
</tr>
</tbody>
</table>

Source: Monthly Review of the Indian Economy, CMIE
From Table 4.1 and graph 4.1 it is clear that India’s import was always more than exports. In 1992-93 export was 7.2 percent of GDP and imports was 8.4 percent of GDP. Import was more than export by 1.3 percent of GDP. In 2001-02 export has increased to 9 percent of GDP and at the same time import has also increased to 11.4 percent of GDP and it was again more by 2.4 percent of GDP.

### 4.3 Export of agricultural commodities

India with its varied soil and climatic conditions has the advantage of being able to produce various crops round the year. India has diversified agriculture in the sense that it has field crops, plantation crops, animal husbandry, fisheries and forestry, which provide wide scope for agricultural exports.
India's export trends

In India, as in many other countries, export expansion is widely regarded as a mean to attain a higher rate of economic growth. Since 1991, a number of measures have been undertaken to correct the “anti-export bias” of previous policy regimes. Export performance improved during post-1991 years. The Foreign Trade Policy for 2004-09 (FTP 2004) announced on August 1, 2004 aims at doubling India’s share in global trade within five years time frame and using trade policy as an effective instrument of economic growth and employment generation, with the export strategy relying, inter alias, upon a set of promotional schemes.

Agricultural exports can boost India’s exports. It provides diversity to the composition of her exports. It can bring about price stability and provide rural employment, thus improving the economic conditions of small and marginal farmers. Improved techniques of agricultural production can increase productivity and make prices competitive especially in export markets. India’s agriculture is supported by an impressive infrastructure policy support for production, domestic distribution and export marketing.

Agricultural commodities have always been a major item of exports from India and constitute a sizeable proportion of total exports. India’s exports of agricultural commodities includes:

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India's export trends

1) Agricultural commodities and raw materials which includes
   a) Products of field crops such as oilseeds, tobacco, cotton, jute, sugar, food grains.
   b) Plantation products such as tea, coffee, spices etc.
   c) Animal products such as meat, wool, dairy products, eggs, live animals, animal oils and fats.
   d) Horticultural products such as cashew kernels, walnuts, fruits and vegetables, crude rubber etc.
   e) Marine products such as fish preparations
   f) Forest products such as wood, lumber, cork, essential oils etc.

2) Agro based products processed products which includes
   a) Products of field crops such as beverages, spice oils and oleoresins, vegetables oils and oilcakes.
   b) Animal products, such as leather manufactures, footwear and animal oils
   c) Horticultural products such as rubber manufacture, processed fruits and vegetables such as jams, sauces, pickles etc.
   d) Forest products namely pulp, waste paper, furniture
   e) Others such as dyeing and tanning extracts.

Export of agricultural produce can be of much potential benefit to the rural sector, as it removes the restriction on production imposed by the low domestic demand for food and provides incentive to improve the infrastructure in rural
areas. The export opportunity allows the agricultural sector to expand its productive capacity to the full extent.

Agricultural exports bring stability in prices by moving the large buffer stocks. It also lowers the storage requirements and avoids the wastes and costs associated with it.

Agricultural export development and rural development can be linked together with proper government management and intervention. Production of high value exportable crops would improve the economic condition of small and marginal farmers.

Agricultural production is highly labour intensive and gestation periods are short. Increased productivity would help in exporting at competitive prices. In case of certain commodities, export markets are very vital. Prices are higher in the export markets and export help to recover the costs of cultivation.

Foreign exchange earning from agricultural exports are available for other purposes, as there is initially no import of capital equipment, raw materials or components for agriculture.

Agricultural exports can be used gainfully for counter trade. With self-sufficient in food production food can be used for import of various other
commodities. India should exploit fully the export potential of food, as the world demand for food will continue.

Agriculture self-reliance, combined with agricultural exports, provides necessary strength and wherewithal to stand stable and balanced against any super powers.

Agricultural products contributed the major components of India’s export earning until the mid sixties at forty five percent of total exports. But after 1965 with mass industrialization in the country and development of major industries, agricultural exports declined. Consequently India’s export earnings from agricultural commodities has declined as a percentage share of India’s total export earnings.

4.4 India’s Export of Principal Agricultural Commodities from 1991-2004

Table 4.2 shows India’s exports of selected agricultural commodities for the period 2003-2004. It shows the percentage share of the selected commodities to the total exports. The traditional commodities, jute and cotton, which contributed significantly to our total export earnings even before independence declined sharply after independence and industrialization. This trend can be observed in the case of other traditional items such as spices, fruits and vegetables. Several factors, both internal and external have been responsible for
India's export trends

the declining importance of agricultural commodities in India’s exports. The most important of these is the low productivity of Indian agriculture. This factor combined with increasing pressure of domestic demand has ensured that there are no exportable surpluses.

For a large number of agricultural products production has declined or has remained stagnant. Agricultural productivity in India as compared to world productivity in agriculture has always remained low. Similarly the quality of a large number of agricultural commodities is below the world standards. Developing countries, mostly agricultural in nature are capturing world markets with higher agricultural productivity and are offering better quality products at competitive prices. India has lost out to other even smaller countries on account of lower output, higher prices and poor quality of produce.
## India’s Export of Principal Agricultural Commodities

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Commodity</th>
<th>Quantity: Thousand Tonnes</th>
<th>Value: Rs. Crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Tea</td>
<td>199</td>
<td>1070</td>
</tr>
<tr>
<td></td>
<td></td>
<td>159</td>
<td>1171</td>
</tr>
<tr>
<td></td>
<td></td>
<td>202</td>
<td>1185</td>
</tr>
<tr>
<td>2.</td>
<td>Tobacco</td>
<td>87</td>
<td>263</td>
</tr>
<tr>
<td></td>
<td></td>
<td>87</td>
<td>447</td>
</tr>
<tr>
<td></td>
<td></td>
<td>108.3</td>
<td>871</td>
</tr>
<tr>
<td>3.</td>
<td>Coffee</td>
<td>87</td>
<td>252</td>
</tr>
<tr>
<td></td>
<td></td>
<td>156</td>
<td>1503</td>
</tr>
<tr>
<td></td>
<td></td>
<td>184.9</td>
<td>1185</td>
</tr>
<tr>
<td>4.</td>
<td>Sugar &amp; Sugar Preparations</td>
<td>191</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td></td>
<td>734</td>
<td>506</td>
</tr>
<tr>
<td></td>
<td></td>
<td>769</td>
<td>511</td>
</tr>
<tr>
<td>5.</td>
<td>Spices</td>
<td>103</td>
<td>239</td>
</tr>
<tr>
<td></td>
<td></td>
<td>204</td>
<td>794</td>
</tr>
<tr>
<td></td>
<td></td>
<td>244.9</td>
<td>1619</td>
</tr>
<tr>
<td>6.</td>
<td>Oilcakes</td>
<td>2448</td>
<td>609</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4331</td>
<td>2349</td>
</tr>
<tr>
<td></td>
<td></td>
<td>278</td>
<td>2263</td>
</tr>
<tr>
<td>7.</td>
<td>Cashew Kernels</td>
<td>56</td>
<td>447</td>
</tr>
<tr>
<td></td>
<td></td>
<td>71</td>
<td>1237</td>
</tr>
<tr>
<td></td>
<td></td>
<td>83.8</td>
<td>1883</td>
</tr>
<tr>
<td>8.</td>
<td>Raw cotton</td>
<td>374</td>
<td>846</td>
</tr>
<tr>
<td></td>
<td></td>
<td>33</td>
<td>204</td>
</tr>
<tr>
<td></td>
<td></td>
<td>30</td>
<td>224</td>
</tr>
<tr>
<td>9.</td>
<td>Fish &amp; Fish Preparations</td>
<td>159</td>
<td>960</td>
</tr>
<tr>
<td></td>
<td></td>
<td>310</td>
<td>3381</td>
</tr>
<tr>
<td></td>
<td></td>
<td>502.6</td>
<td>6367</td>
</tr>
<tr>
<td>10.</td>
<td>Meat and Meat Preparations</td>
<td>140</td>
<td>627</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1470</td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Rice</td>
<td>505</td>
<td>462</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4914</td>
<td>4568</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1534.4</td>
<td>2943</td>
</tr>
<tr>
<td>12.</td>
<td>Vegetable oils</td>
<td>48</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td></td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>13.</td>
<td>Fruits &amp; Vegetables</td>
<td>216</td>
<td>802</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1560</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>5590</strong></td>
<td><strong>17651</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>22138</strong></td>
</tr>
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**Contd...**
Table 4.2
India’s Export of Principal Agricultural Commodities
Quantity: Thousand Tonnes, Value: Rs.Crores

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Qty.</td>
<td>Value</td>
<td>Qty.</td>
</tr>
<tr>
<td>1.</td>
<td>Tea</td>
<td>180</td>
<td>1719</td>
<td>184</td>
</tr>
<tr>
<td>2.</td>
<td>Tobacco</td>
<td>98</td>
<td>808</td>
<td>101</td>
</tr>
<tr>
<td>3.</td>
<td>Coffee</td>
<td>176</td>
<td>1094</td>
<td>185</td>
</tr>
<tr>
<td>4.</td>
<td>Sugar &amp; Sugar</td>
<td>1678</td>
<td>1782</td>
<td>1870</td>
</tr>
<tr>
<td></td>
<td>Preparations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Spices</td>
<td>239</td>
<td>1497</td>
<td>278</td>
</tr>
<tr>
<td>6.</td>
<td>Oilcakes</td>
<td>278</td>
<td>2263</td>
<td>178</td>
</tr>
<tr>
<td>7.</td>
<td>Cashew Kernel</td>
<td>92</td>
<td>1642</td>
<td>129</td>
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<tr>
<td>8.</td>
<td>Raw cotton</td>
<td>8</td>
<td>43</td>
<td>12</td>
</tr>
<tr>
<td>9.</td>
<td>Fish &amp; Fish</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Preparations</td>
<td>4897</td>
<td></td>
<td>6928</td>
</tr>
<tr>
<td>10.</td>
<td>Meat and Meat</td>
<td>1193</td>
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<td>1377</td>
</tr>
<tr>
<td></td>
<td>Preparations</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>11.</td>
<td>Rice</td>
<td>2208</td>
<td>3174</td>
<td>4968</td>
</tr>
<tr>
<td>12.</td>
<td>Vegetable oils</td>
<td></td>
<td>69</td>
<td></td>
</tr>
<tr>
<td>13.</td>
<td>Fruits &amp; Vegetables</td>
<td>1609</td>
<td>1460</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>18821</strong></td>
<td><strong>27055</strong></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Economic Survey of India, various issues.

Table 4.2 shows share of India’s agricultural exports in World exports of agricultural commodities. Thirteen commodities constitute the principal exports accounting for about ninety percent of the total agricultural exports in the past.
India's export trends

These are the areas in which India needs to concentrate. By adopting scientific techniques in agriculture and using high yielding varieties of seed, the output of agricultural products having export potential can be increased. Further this output must be exported instead of being consumed in the domestic market. Export markets should never be sacrificed for the domestic markets. If necessary, imports should be resorted to make up for any short fall in production for exporting.

The vast potential for exporting agricultural produce can be tapped by maintaining international standards of quality and by keeping prices competitive.

The National Commission on agriculture has classified agricultural products according to their potential for growth. Accordingly they have been classified as

1) Traditional items of export with declining export potential such as jute, wool and woolen goods, hides and skins, shellac, fruits and vegetables and essential oils.

2) Items with potential for growths, which had declined due to inadequate production, poor quality and non competitive prices and include cotton textile, handloom, silks, tea, coffee, spices tobacco, sugar and marine products.
India's export trends

3) Commodities having little domestic demand and for which export surplus could be generated are meat and meat products, animal casings, leather and leather manufactures, bristles and footwear.
## Table 4.3
India’s share in world exports of principal commodities

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Commodity</th>
<th>1990 World</th>
<th>1990 India</th>
<th>India’s share %</th>
<th>1995 World</th>
<th>1995 India</th>
<th>India’s share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Meat fresh, frozen</td>
<td>34118</td>
<td>77</td>
<td>0.20</td>
<td>47758</td>
<td>183.00</td>
<td>0.40</td>
</tr>
<tr>
<td>2</td>
<td>Rice</td>
<td>3995</td>
<td>254</td>
<td>6.40</td>
<td>7332</td>
<td>1362</td>
<td>18.60</td>
</tr>
<tr>
<td>3</td>
<td>Vegetables</td>
<td>50225</td>
<td>400</td>
<td>0.80</td>
<td>70819</td>
<td>682</td>
<td>1.00</td>
</tr>
<tr>
<td>4</td>
<td>Sugar, Honey</td>
<td>14236</td>
<td>21</td>
<td>0.10</td>
<td>19389</td>
<td>156</td>
<td>0.80</td>
</tr>
<tr>
<td>5</td>
<td>Coffee</td>
<td>8659</td>
<td>148</td>
<td>1.70</td>
<td>16092</td>
<td>448</td>
<td>2.80</td>
</tr>
<tr>
<td>6</td>
<td>Tea</td>
<td>2650</td>
<td>585</td>
<td>22.10</td>
<td>2414</td>
<td>345</td>
<td>14.30</td>
</tr>
<tr>
<td>7</td>
<td>Spices</td>
<td>1415</td>
<td>109</td>
<td>7.70</td>
<td>1903</td>
<td>180</td>
<td>9.50</td>
</tr>
<tr>
<td>8</td>
<td>Animal feeding Stuff</td>
<td>15603</td>
<td>336</td>
<td>2.20</td>
<td>20537</td>
<td>706</td>
<td>3.40</td>
</tr>
<tr>
<td>9</td>
<td>Tobacco Manufactured</td>
<td>5187</td>
<td>107</td>
<td>2.10</td>
<td>5364</td>
<td>113</td>
<td>2.10</td>
</tr>
<tr>
<td>10</td>
<td>Leather</td>
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<td>447</td>
<td>4.80</td>
<td>15960</td>
<td>370</td>
<td>2.30</td>
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<tr>
<td>11</td>
<td>Furskins</td>
<td>1603</td>
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<td>1323</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>12</td>
<td>Fish</td>
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<td>521</td>
<td>1.60</td>
<td>47318</td>
<td>994</td>
<td>2.10</td>
</tr>
<tr>
<td>13</td>
<td>Cotton fabrics</td>
<td>15559</td>
<td>571</td>
<td>3.70</td>
<td>22333</td>
<td>960</td>
<td>4.30</td>
</tr>
<tr>
<td>14</td>
<td>Woven textiles</td>
<td>8466</td>
<td>195</td>
<td>2.30</td>
<td>10921</td>
<td>203</td>
<td>1.90</td>
</tr>
<tr>
<td>15</td>
<td>Iron &amp; Steel</td>
<td>106342</td>
<td>283</td>
<td>0.30</td>
<td>149749</td>
<td>1027</td>
<td>0.60</td>
</tr>
<tr>
<td>Total Export</td>
<td></td>
<td>3303563</td>
<td>18143</td>
<td>0.50</td>
<td>4951450</td>
<td>31167</td>
<td>0.60</td>
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Table 4.3
India’s share in world exports of principal commodities

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Commodity</th>
<th>2000</th>
<th></th>
<th>2001</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>World</td>
<td>India</td>
<td>India’s Share %</td>
<td>World</td>
</tr>
<tr>
<td>1</td>
<td>Meat fresh, frozen</td>
<td>44690</td>
<td>324</td>
<td>0.7</td>
<td>46787</td>
</tr>
<tr>
<td>2</td>
<td>Rice</td>
<td>6411</td>
<td>654</td>
<td>10.2</td>
<td>6912</td>
</tr>
<tr>
<td>3</td>
<td>Vegetables</td>
<td>68355</td>
<td>856</td>
<td>1.3</td>
<td>70800</td>
</tr>
<tr>
<td>4</td>
<td>Sugar, Honey</td>
<td>13866</td>
<td>118</td>
<td>0.9</td>
<td>16056</td>
</tr>
<tr>
<td>4</td>
<td>Coffee</td>
<td>11559</td>
<td>264</td>
<td>2.3</td>
<td>8891</td>
</tr>
<tr>
<td>6</td>
<td>Tea</td>
<td>3087</td>
<td>431</td>
<td>14.0</td>
<td>2631</td>
</tr>
<tr>
<td>7</td>
<td>Spices</td>
<td>2541</td>
<td>261</td>
<td>10.3</td>
<td>2240</td>
</tr>
<tr>
<td>8</td>
<td>Animal feeding Stuff</td>
<td>20295</td>
<td>469</td>
<td>2.3</td>
<td>21927</td>
</tr>
<tr>
<td>9</td>
<td>Tobacco Manufactured</td>
<td>5525</td>
<td>147</td>
<td>2.7</td>
<td>5916</td>
</tr>
<tr>
<td>10</td>
<td>Leather</td>
<td>16551</td>
<td>388</td>
<td>2.3</td>
<td>17349</td>
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<td>11</td>
<td>Furskins</td>
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<td>1139</td>
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<td>Fish</td>
<td>50875</td>
<td>1391</td>
<td>2.7</td>
<td>51283</td>
</tr>
<tr>
<td>13</td>
<td>Cotton fabrics</td>
<td>22387</td>
<td>1103</td>
<td>4.9</td>
<td>22318</td>
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<tr>
<td>14</td>
<td>Woven textiles</td>
<td>32151</td>
<td>506</td>
<td>1.6</td>
<td>28577</td>
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<tr>
<td>15</td>
<td>Iron &amp; Steel</td>
<td>146147</td>
<td>1481</td>
<td>1.0</td>
<td>136038</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5075047</td>
<td>38039</td>
<td>0.7</td>
<td>6975038</td>
<td>47981</td>
</tr>
</tbody>
</table>

Contd...
### Table 4.3

India’s share in world exports of principal commodities

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Commodity</th>
<th>2002 World</th>
<th>2002 India</th>
<th>India’s share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Meat fresh, frozen</td>
<td>46956</td>
<td>278</td>
<td>0.6</td>
</tr>
<tr>
<td>2</td>
<td>Rice</td>
<td>6706</td>
<td>1213</td>
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<tr>
<td>3</td>
<td>Vegetables</td>
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<tr>
<td>4</td>
<td>Sugar, Honey</td>
<td>16490</td>
<td>392</td>
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</tr>
<tr>
<td>4'</td>
<td>Coffee</td>
<td>8764</td>
<td>205</td>
<td>2.3</td>
</tr>
<tr>
<td>5</td>
<td>Tea</td>
<td>2598</td>
<td>327</td>
<td>12.6</td>
</tr>
<tr>
<td>6</td>
<td>Spices</td>
<td>2494</td>
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<td>8.5</td>
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<td>7</td>
<td>Animal feeding Stuff</td>
<td>22439</td>
<td>316</td>
<td>1.4</td>
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<tr>
<td>8</td>
<td>Tobacco Manufactured</td>
<td>5243</td>
<td>152</td>
<td>2.9</td>
</tr>
<tr>
<td>9</td>
<td>Leather</td>
<td>17095</td>
<td>507</td>
<td>3.0</td>
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<td>10</td>
<td>Furskins</td>
<td>1188</td>
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<td>0.00</td>
</tr>
<tr>
<td>11</td>
<td>Fish</td>
<td>52921</td>
<td>1384</td>
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</tr>
<tr>
<td>12</td>
<td>Cotton fabrics</td>
<td>24521</td>
<td>1009</td>
<td>4.1</td>
</tr>
<tr>
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<td>Woven textiles</td>
<td>8500</td>
<td>346</td>
<td>4.1</td>
</tr>
<tr>
<td>14</td>
<td>Iron &amp; Steel</td>
<td>146861</td>
<td>2357</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Total Export</strong></td>
<td></td>
<td>7095483</td>
<td>51769</td>
<td>0.7</td>
</tr>
</tbody>
</table>

**Sources:** Economic Survey of India, various issues.

4) Commodities which need further processing before export includes oilcakes and spices.

5) Commodities in which India’s share is very insignificant and in which research is necessary before producing for the export market. This
India's export trends includes rice, coconut, oilcakes, silk, meat, dairy products and animal feed.

The Report of the National Commission on Agriculture (1979)^3 had suggested that the efforts of export promotion should includes measures for

1) Identifying areas of demand for various agricultural commodities in raw, semi-finished or finished forms.

2) Undertaking development programmes for producing these items at competitive prices.

3) Building up export production infrastructure.

4) Making funds for development schemes, to be invested in projects for undertaking production, processing and export of suitably identified varieties of agricultural products having demand in different importing countries.

Highly intensified export efforts are necessary to boot Indian exports. In order to do so exports should not depend on exportable surplus, but goods should be produced for the purpose of exporting. In agricultural commodities, a certain proportion of production should be earmarked for exports. Further, quality and competitiveness of export products can be improved by adopting better technology.

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Agriculture has been identified as a sector with great export potential. India’s agricultural export potential needs to be rediscovered and exploited to augment export earnings.

4.5 Pattern of foreign trade of India prior to post-liberalisation

This section deals with India’s foreign trade prior to liberalisation period i.e. 1991 starting from the earliest time recorded in terms of the countries traded with and the composition of exports and imports so as to highlight the importance of Tea in India’s trade with other countries. The section following this deals with India’s foreign trade in the post liberalisation period again in terms of its direction and composition. It shows the diversification that has taken place in India’s exports and decline in Tea exports as a percentage of total exports, although tea continues to be an important item of India’s exports basket.

The aim of this section being only to highlight the importance of tea in the trade of India’s glorious past. In tracing this interesting history, I have referred to all known and available sources, including the Internet.

To understand the trade history of India, it is essential to know its geographical background and its influence on its economic conditions.
The Indian subcontinent is as large in areas as Europe without Russia. Its total area is 4,202,400 square kilometers. The subcontinent is divided into five countries—India, Bangladesh, Nepal, Bhutan and Pakistan. It comprises twenty-seven States and seven Union Territories, including national territory of Delhi. Some of the states are larger than many European countries. For instance, Bihar is as large in area as England, and several European countries are smaller than Madhya Pradesh.4

The Indian subcontinent is a well-defined geographical unit, mostly situated in the tropical zone. The monsoon plays an important part in the history of India. The southwest monsoon lasts between June and October and brings rain in varying degree to the major parts of country. In ancient times, irrigation was not an important factor and rains played the crucial role in agriculture.

India is likened to a great triangle with its base resting on the Himalayas and its apex jutting far into the sea. On its north are countries of Tibet and Nepal, the northwest Afghanistan and Persia and on the northeast Burma and China. To its south lies Ceylon, an island connected to the mainland by a sandy rock strip known as Adam’s Bridge. It is surrounded on the east by the Bay of Bengal, on the west by the Arabian Sea and on the south by the Indian Ocean. India has a long coastline, but without the many natural harbors essential for commercial

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4 Sharma Ram Sharan, Ancient India, NCERT, New Delhi, 1999, p. 60.
India's export trends

activities. This deficiency however did not impede the growth of India's foreign trade even from the earliest times.

The Sub continent of India can be divided into four geographical divisions.

1. The great mountain wall of the north stretching from east to west. The Himalayas stretch for one thousand five hundred miles along the northern boarder of India. The other mountains ranges include Karakoram ranges bordering Kashmir, the Hindu Kush Mountains marking the border between India and the north eastern, the Suleiman Range separating Punjab and North Baluchistan and the Kirthar Mountain separating Sind from South Baluchistan. In the northeast a series of hill range, the Patkoi, Naga, Barail, Jaintia, Khasi and Garo hills of the north and Lushai and Chin Hills of the south frame the borders between Assam and Upper Burma.

2. These mountain barriers have well known passes like the Khyber, Kurram, Gomal, Bolan, Karakoram and Zogi-La, which were the gateway from Baluchistan, Afganistan and Tibet into undivided India. Burma connected to India through the Hukawang valley, Tuzu Gap, Manipur, An and Taungup passes and from Burma to China through the Taiping Valley. The Himalayas protect India from the cold north winds on the one hand and on the other cause rainfall by providing a hindrance to the monsoon currents of the South. It also feeds the great
India's export trends

rivers of India such as the Indus, Gangaes and their tributaries with water from the melting snow.

3. The wide rich plains through which the mighty rivers the Indus, Ganges and Bramhaputra and their tributaries flow into the Arabian Sea in the West and Bay of Bengal in the East. This stretch of land, about 1500 miles in length and 150 to 300 miles in breadth, contains India’s richest and most densely populated provinces. Watered by the many rivers, the northern plain had rich alluvial deposits that made it a very fertile region with great agricultural potential.

4. The prominent plateau south of the northern plains stretching from the West to the East watered by the rivers Narmada, Kisna (present day Krishna) and Godavari. The Southern plateau with paucity of rainfall, black cotton soil and non-arable belt of rivers did not have sufficient advantages in agriculture and therefore had to develop industrially.

5. The eastern and western coastal belts flanked by the Eastern and Western Ghats on one side and by the Bay of Bengal and Arabian sea on the other.

The great plain of northern India is separated from the Central plateau and peninsular India by the Vindhya and Satpuras range of hills, the Mahadeo Hills and the Maikala Range. To the north of the Satpuras lies Thar, the Great Indian Desert between the Aravali Hills and the plain upland regions of Rajputana and the Central Indian Plateau (later called Madhaya Bharat or Vindhya Pradesh.).
India's export trends

The region of the Gangetic delta covers the area called Bengal before partition, subsequently divided into East and West Bengal. East Bengal then became Bangladesh. In the West Bengal is bounded by Bihar, a very fertile and densely populated region watered by the Ganges. Below between West Bengal and the erstwhile State of Madras lies Orissa, the Southern part of which, known as Kalinga, played a prominent role in early Indian Commerce. Below Orissa from west of the eastern Ghats to the Bay of Bengal lay the Northern Circars, present Andhra Pradesh, with its central region comprising the deltas of the rivers Kisna and Godavari.

In the West stands Gujarat between the former Sind and Bombay (Maharashtra State of today) comprising of Cutch and Kathiawar, its northern region adjoining the Thar Desert being dry and the southern are being wet. Below on the West Coast stretches the densely populated Kokan region, a narrow plain very wet and fertile in some places and dry and barren in others, bordered by the Western Ghats.

The Western and Eastern Coasts are both flanked by the Western and Eastern Ghats which commerce from the South of the Vindhya ranges and pass along the coasts of the country and meet in the southern peninsular region. At the junction of the Eastern and Western Ghats rises the Blue Mountains or Niligiris, with the hills of Annamalai, Lalani and Travancore to its South, separated by the Palghat gap of 24 miles. The Palghat gap allows the south West monsoon winds
India's export trends

to pass through providing heavy rains to this region. The Nilgiri plateau bifurcated by the Palghat Gap gives place to the Cardamom hills that forms a barrier between the two coasts and ends at Cape Comorin at the peninsular tip.

The southern portion of Deccan plateau includes the Mysore region (presently Karnataka), the ancient Cholamadalam (former Madras State and present Tamil Nadu), Andhra Kingdoms and the former States of Travancore and Cochin (now Kerala).

Along both coasts are a few good natural harbours, though the west coast is better off with Cochin, Goa and Bombay offering shelter for ships.

Located halfway on the maritime routes from the Mediterranean and Africa to China, Peninsular India developed and maintained brisk maritime trade with the countries on either side.

Two types of rivers irrigate the northern and southern parts of India. The north Indian rivers rising in the Himalayas are fed by the everlasting and melting snows that provide a continuous flow of water for irrigation purposes. The important rivers are the Indus, the Ganges and Brahmaputra with tributaries, while Narmada and Tapti in the Gujarat region and Mahanadi and Suvarnarekha in Orissa are of lesser importance. In the plateau and southern parts of India, the important rivers are the Kisna (Krishna), Godavari, Kaveri and Periyar and
India's export trends

several lesser streams like Netravati, Tungabhadra, Palar and Ponni. These rivers are fed by the seasonal monsoons and sometimes dry up in summer.

Lying in the tropical region, India has remained a warm country with some cool areas. In the North Indian, monsoon prevails between the months of June to October. The temperature and rainfall are not uniform throughout the country and therefore there are climatic and soil variations, which in turn bring about variations in the crops grown.

Several kinds of food crops and non edible crops are grown in the country such as rice, wheat, barley, sugarcane, tea, coffee, spices, jute, cotton, tobacco, silk and oilseeds. All of them are of considerable importance in the maintenance, stabilization and prosperity of trade and the general well being of the people. These factors have contributed to the nation’s material welfare and assisted largely in augmenting its revenue resources.

For the purpose of describing India’s foreign trade, the period prior to liberalisation may be divided into:

1) Ancient and Medieval period up to AD 1525
2) Mughal Period AD 1526-1707
3) Early European period AD 1708-1757
4) British Rule period AD 1761-1947 and
4.5.1 Ancient trade

India has a very old history of foreign trade circa three thousand B.C. The proof of this regulation in Harappa is the presence of uniform weight and measures\(^5\). The presence of seals and sealing indicates long distance trade. The kinds of stones and metals found in the Harappan town indicate an extensive trade network since they are found in specific region. From their use of turquoise and lapis lazuli we conclude that they had link with central Asia, since it is not found elsewhere. The presence of a specialized group of potters, copper and bronze workers, stone workers, builders, brick-makers, seat cutting bread makers, faience-workers etc. suggest an organized economic life during Indus Valley civilization\(^6\). These finished items not only catered to local needs but were also exported to other parts with which the Harappans had contacts, from Koti Diji in the west to Lothal, Rangpur and Kalibangan in the east and south west. One can trace links of these people with Central Asia, northeastern Afghanistan, northeastern Persia, south India, Rajasthan, Gujarat and Baluchistan. Links with Mesopotamia, Sumer and Akkad are evident from finds of similar seals.

There is enough evidence to show that during the ancient period, India carried an extensive trade with countries like Babylon, Egypt, Greece, Rome, Persia and Arabia in the west and with China, Java and Sumatra in the east. To give an example the Egyptian Mummies belong to two thousand B.C., and were

India's export trends

found wrapped in Indian Muslin of fine quality. The Dacca Muslin was known in Greece during its golden age under the name Gagetika.\(^7\)

Scholars believe that the Harappans imported gold from Karnataka, silver from Afghanistan and Iran, and copper from Rajasthan. The Harappans had commercial links with one area of Rajasthan along with Afghanistan and Iran\(^8\). They had set up a trading colony in northern Afghanistan, which evidently facilitated trade with Central Asia. Their cities also carried out commerce with those in the land of the Tigris and the Euphrates.

The Mesopotamian literature also refers to merchants of Mehuhna who brought timber, copper, gold, ivory etc.\(^9\) similarly the terracotta models of ships indicate the use of waterways for trading. The Mesopotamian texts speak of two intermediate trading stations called Dilmun and Makan, which lay between Mesopotamia and Meluha. Dilmun can probably be identified with Bahrain on the Persian Gulf\(^10\). Thousands of graves await excavation in that port city.

Central Asia was for a long time invaded and occupied by people from Eastern Europe, Assyrians, Phoenicians, Persians, Greeks, Ptolemies and Romans.

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\(^9\) loc.cit, Resource Book for Civil Service.
The northwest regions of India were ruled for varying periods by the Bactrian, Greeks, Scythians, Parthians, Mauryas, Sakas, Kusanas and Guptas.

If we rely on the Arthashastra of Kautilya, it would appear that during the Mauryan Period the state appointed twenty seven superintendents (Adhyakshas) mostly to regulate the economic activities of the State. They controlled and regulated agriculture, trade and commerce, weight and measures, crafts such as weaving and spinning, mining and so on. Further because of its uniformity the currency must have facilitated market exchange in a wider area.

The invasions and rule by alien tribes brought about revolutionary changes in the foreign trade of India. New venues of trade and commerce were opened and new heights of maritime trade activities were reached. India had well developed commercial contacts with the countries of Egypt, Assyria, Arabia, Babylonia and Rome. Asoka’s inscriptions show that India had trade connections with Asia minor and near west countries such as Syria, Egypt, Macedonia, Cyrene and Corinth by both land and sea routes.

In post Mauryan period the Romans mainly imported spices for which south India was famous. They also imported muslin, pearls, jewels and precious stones from central and south India. Iron goods, especially cutlery formed an important item of export to the Roman Empire. In addition to the articles directly

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11 Ibid, p.130.
12 Ibid, p.130.
India's export trends

supplied by India, certain articles like silk were brought to India from China and Central Asia and then sent to the eastern part of Roman Empire. In return the Romans exported to India wine, wine-amphorae and various types of pottery. The most significant Roman exporting to India were large number of coins, invariably made of gold and silver.

India had commercial contacts with the countries of the West through land routes and also across the sea. The exploration of the Indus by Seylax of Caryanda, a Greek mercenary in the employment of Darius, the Persian Emperor in the 4th century B.C. led to the opening of a new shorter sea route down the river Indus to the Indian Ocean and to Egypt. India's trade contact with the west by overland and oceanic routes grew after Alexander's invasion (4th B. C.).

The primary object of Alexander's invasion of India and the East in the 4th century B.C. was to obtain control of trade in the rich products of these lands. The most important outcome of this invasion was the establishment of direct contact between India and Greece in different fields. Alexander's campaign opened up four distinct routes by land. It paved the way for Greek merchants and craftsmen and increased the existing facilities for trade\textsuperscript{13}.

During the Mauryan period, imports of certain articles such as weapons, mail armour metals, chariots, precious stones, grains and cattle was the exclusive

\textsuperscript{13} Ibid, p.109.
India's export trends

monopoly of the state. The goods both local and foreign were liable to pay toll and all sales were taxed. Both private and public sectors were engaged in exporting goods to other countries. It was the duty of the public sector to export goods to those foreign markets, which were profitable. A network of roads was build particularly with trade in mind.

Southern India developed maritime activity between 1st century B.C. and 78 AD when the Satvahanas and the Sakas by their orderly government brought peace and prosperity in the country resulting in intense commercial intercourse with the Roman world. A flourishing trade with the Roman world is shown by the large quantities of Roman coins, glasswork and pottery found at various sites in south India. A large number of ports and market towns grew on the western coast of India, which have been listed in the Periplus of the Erythraean Sea. South India also developed trade with China and south East Asian countries.

In the period before the Christian era, India had a sound and well-developed trade relation with Egypt, Greece, Rome, Arabia, Persia, China and countries of Central and South Eastern Asia.

Commercial relations between the Arabs and India were in vogue since a long time. Prior to the embracement and spread of Islam in seventh century, Arab traders frequently visited the western coastal region of India.
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During 1st century B.C. to 3rd century A.D. Taxila was connected by a highway with Kabul from where roads went in different direction. The northern route passed through Bactria (north Afghanistan), the Oxus region, the Caspian sea and Caucasus to the Black sea. The southern route was from Kandahar and Ecbatana (later Hamadan in Persia) from where traders traveled overland to the eastern Mediterranean coast.\(^{15}\)

The Periplus of the Erythraean Sea written by an anonymous Greek navigator (1st century AD) gives details of Indian exports to the Roman Empire. The main exports were pepper, pearls, ivory, silk, spikenard, malabathrum, diamond, and saffron, precious stones, and tortoise shell. In return for her exports Indian imported from the Roman Empire such commodities as topaz, thin cloth, liner, antimony, glassware, copper, tin lead wine wheat etc.

The beginning of the 11th century saw the invasion of Kanauj by Mohammed of Ghazni (1019 A.D.) and in the 12th century (1193 A.D.) Mohammed Ghori captured Ajmer and Delhi and thus laid the foundation of Muslim rule in India. Within a period of thirteen years (1193-1206 A.D.), Turkish political supremacy was established in Northern India. The Turks were followed by the Afghans, Arabs and Mughals.

\(^{15}\) Jha Manohar, Ancient India in Historical Outline, Manohar Publishers, New Delhi, 2001, p. 125.
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During the period A.D. 1012-1044 the Hindu kingdoms of Suvarnadvipa which included the Malay Peninsula, Sumatra, Java, Borneo, Bali, Pagan in Burma and Khambuja in south east Asia had close contacts with India especially Bengal.

4.5.2. The Mughal period 1526-1707

Babur established the Mughal Empire in 1526 in India and ruled till 1530 followed by Humayun (1530-1556), Akbar (1556-1604), Jahangir (1604-1627), Shah Jehan (1628-1647) and Aurangzeb (1649-1707).

The Mughal period commencing with the 16th century was favourable to India’s foreign trade. The patronage given by Mughal Emperor and countries gave an impetus to artistic products. Malabar on the West Coast of India became an important center of foreign trade during this period. The overseas trade mostly in the hands of Muslim was carried along the Persian Gulf and Red Sea route. The Italian Merchants of Venice and Genoa (which had become important trading center from the days of the Crusade) took over the trade from Mediterranean coast onwards.

From scattered references in the English records, it appears that at the beginning of the 17th century, Jahangir, Nur Jahan, Prince Khurram and even the Queen, Mother owned ships which plied between Surat and Red Sea ports.

Princess Jahanara also had ships of her own and carried on extensive commerce with the help of the Dutch and the English.\textsuperscript{17}

Mughal emperor and members of the Royal family continuously participated in commercial activities, particularly in sea borne trade to the Red Sea ports and also to some extent with ports to the south of Surat, up to Achin and ports on the east coast of Africa. The Royal ship not only carried goods purchased with the Emperor’s money but also the goods of nobles and individual merchants. The king and members of his family also freighted their goods on the ships of individual nobles or merchant as well as English and Portuguese ships.

During this period the imports were principally gold for coinage and displays, Horses were imported in large numbers as also metals such as copper, tin, zinc lead and quicksilver and also luxury goods like amber and precious stones. In payments for these imports, India sent out her various textile fabrics, jewel, embroideries on woolen and silk manufacturer, dye-stuff like indigo, opium, other drugs, pepper and few minor spices etc.\textsuperscript{18}

\textsuperscript{17} Chandra Satish, Medieval India, Macmillan, Delhi, 1982, pp. 152-53.
Tea and Coffee were not taken as beverage in those days, but as intoxicants. These drinks were taken by quite a large number of people specially those of the Coromandel Coast.\textsuperscript{19}

4.5.3. The arrival of the European 1708-1747

Lured by the prospects of capturing the flourishing eastern trade, Christopher Columbus, sponsored by the Spanish monarch, set sail in 1484 to find a route to rich spice land India. He failed in his attempt and eventually discovered America. The Portuguese, who also made several attempts, succeeded in finding a sea route to the east and dominated the spices trade for nearly a hundred years. A Portuguese expedition headed by Vasco da Gama set out for India on 8\textsuperscript{th} July 1947. Vasco da Gama returned to Portugal with information on the trade and after having established friendly relations with Zamorin, the ruler of Calicut and the Hindu population. This event changed the course of the history of India and entire civilized world.

The entry of Portuguese in the Asian trade ended the period of Arab monopoly in the Indian Trade. It also paved the way for the entry of the other European nations represented by their East India Companies. When Muslims blocked the overland route, the Europeans succeeded in finding a new all sea routes to the East via Cape of Good Hope. This lead to the trading and political

\textsuperscript{19} Chopra P.N., A Social, Cultural and Economic History of India Vol. I, Mcmillan, Madras, 1990, p. 57.
rivalries between the Portuguese, the French, the Dutch and the English. Ultimately as we have already seen, the East India Company emerged as the most successful so far as trade between Europe and Indian was concerned and also politically conquering the whole of India by 1818.

4.5.4. British Rule Period AD 1761-1947

On the death of Aurangzeb in 1707, the Mughal Empire in India came to an end and was replaced by the British Empire. The victory at Plassey gave the East India Company control over the India, viz., Bengal in 1765. The East India Company used its political power to oust the Indian, Dutch and Portuguese from trading activities.

The English East India Company, which carried on as a trading company from the beginning of the seventeenth century to mid eighteen century after 1757 consolidated its dominions and became a political power gradually losing its mercantile functions.

During the early British period there was very little change in the composition of India’s foreign trade. Till about the beginning of 18th century exports from India consisted of cotton and silk manufactures, indigo, spices, sugar, while import consisted of gold and silver, woolen goods and miscellaneous types of novelties.

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India's export trends

With the establishment of British rule in India, Britain looked upon India as her colony, which had to be developed in the interest of Britain and British manufacturers. India was to be made into a market for British goods and exporter of raw materials and foodstuffs to feed Britain’s industries and her people.

From 1740 onwards there occurred the Industrial Revolution in England. Factory- industries produced goods on a very large scale and thereby cheaply replacing the old small-scale handicrafts and cottage industries.

The Charter of 1813 is landmark in the history of Indian economy. It abolished the East India Company’s monopoly of India trade. The company became a political and administrative body holding its territories in trust for the crown.

Thus from the first half of the 19th century there came about fundamental changes in the composition of India’s exports and imports. India hereafter began to export more and more of food grains and raw materials required by developing industries in England. India started exporting raw cotton jute, hide and skin, oilseeds and dyes. Indian imports began to consist of manufactured goods notably from England.

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India's export trends

The second half of the 19th century marked an important stage in the economic history of India. The introduction and development of railways, development of roads, construction of ports and telegraph, introduction of steamships and above all opening of the Suez Canal in 1869 brought about almost fundamental changes, both in volume and composition of India’s foreign trade.

Internal customs and transit duties were abolished in 1843 and adoption of the principle of free trade both by England and India- all export duties were removed by 1874 and all imports duties by 1882- brought about far reaching changes in India’s foreign trade.22 Also during the second half of 19th century, Germany and Japan, which had recorded remarkable industrial progress by then also, appeared on the scene affecting India’s foreign trade.

After the end of World War I in 1918, though England made a bid to regain her old position in India’s foreign trade, the trend of diversion, which had started earlier, continued during inter war period23. The U.K. could not regain the old position because of factors such as economic troubles at home, political troubles in India, and reappearance of old competitors like Germany, U.S.A. and Japan.

After the end of Second World War the U.S.A. started assuming a more important role as India’s trading partner. The U.S.A. supplied India both

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23 Ibid, p. 111.
consumer goods like food grains, raw cotton as also capital goods like machinery, chemical, drugs and medicines. U.S.A.'s share in India's import trade thus rose from about 7 percent in 1938-39 to about 21 percent in 1940-41. This was not surprising in view of the tremendous increase in productive powers of the U.S.A. after World War II.

4.5.4.1 The Legacy of the British Rule in India

The British rule in India brought about some structural changes in the Indian economy which laid the foundations of the modern economy.

1. Introduction of a unified currency system for the whole country.
2. Revolution in agriculture by replacing food crops with cultivation of commercial crops.
3. Construction of a network of railways and telegraphs to facilitate transport and communication.
5. Introduction of the principle of joint stock companies in business units.
6. Expansion of trade especially exports in terms of value exports.

On the other side of the coin we have

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24 ibid, p. 113.
7. The economic exploitation of the country in the form of remittance to Britain by way of ‘home charges’, ‘tributes’ and ‘investment’ from the country’s revenues.

8. The destruction of India’s industry and trade by Britain’s restrictive policies, levying heavy protective duties against Indian goods and imposing manufactures on the Indian people.

9. Increasing land revenue leading to impoverishment of the cultivators.

10. Consequently transforming India from an industrial workshop to an agricultural colony supplying raw materials to British manufactures.

11. Exploiting the resources of India for development of British industries.

4.5.4.2 British India and the Tea trade

When the East India Company’s monopoly on Chinese Tea on tea was abolished in 1833 it turned its attention seriously to the possibility of growing tea in India. Though Sir Joseph Bank reported discovery of wild tea plants as early as 1788, the credit for first knowledge of the existence of tea plants in Assam should go to Robert Bruce who was there in 1823. He informed his brother, Alexander, who again reports to his senior officers Caption Jenkins verbally in 1826 and officially in 1833. Meanwhile Lt. Andrew Charlton had independently come across the tea plant in Assam and informed Dr. John Tytler of his discovery on
21st January 1832 and Captain Jenkins on 17th May 1834. He has been regarded as the pioneer in the official records, though the honour really belongs to Robert Bruce.25

Bentinck had the greatness to realize its importance at once and proposed the formation of a Tea Committee in a minute of 24th January 1834. The committee sent a scientific deputation under Dr. Wallich in 1834 of which Alexander Bruce become the guide. The first experiment was soon started with Chinese seeds.

The Company was willing to give up its project to a private organization for production on a commercial scale. For this the Assam Company was founded by London merchants on 12th February 1839. Names of several East India agents were prominent in its Committee-William Crawford, GG de H Larpent and Richard Twining. The original capital was 400000 pounds and Cockerill &Co. and Boyd & Co. were appointed joint agents of the Company in Calcutta. It is interesting to know that Dwarkanath Tagore’s Carr Tagore & Co. formed the Bengal Tea Association for the same purpose. The two companies amalgamated soon and the Assam Tea Company was incorporated as a Rupee Company in 1844 with a capital of forty Lakhs of Company’s Rupees divided into ten thousand shares. In 1840 the Government transferred to it two-third of its establishments and lands, free of rent for ten years with permission to settle on other lands.

India's export trends

The Assam Company was the only one in the field till 1840 fighting on uphill task and proving true to its motto “Ingenio et Labore” - by ingenuity and hard work. To pay a dividend of 2.4 percent it had to borrow in 1844 and it raised in that year a crop of 194,800 lb. The tide turned in 1847 but slowly. The period between 1846-60 saw some profitable trading. The crop rose to 872,431 lb. and dividend to twelve percent. Though the acreage under tea was fast spreading acute labour shortage, competitive cultivation of poppy and lack of communication stood in the way of progress. Two of its directors had defected and formed the rival Jorehat Tea Company in 1849 and many of its officers had been raising private gardens.

Hectic speculation in tea was a feature of the years between 1849 and 1864 when twenty companies registered in London and Calcutta, besides many more unregistered private gardens. Rules were relaxed by the Government under which Grants of Lands should have been made. By 1866-67 more than 6 millions lb. of tea were being manufactured in India. This over speculation was hit by the general depression of 1866-67 and stringency of the London and Calcutta money market. Inefficient and negligent administration added to the cost. Even the pioneer Assam Company incurred losses between 1864 and 1867 and could only declare a 6 percent dividend in 1869.
India’s export trends

As the rate of exchange between India and Britain fell below its par value since the 1870’s, tea became more profitable. The Assam Company’s dividend once rose to thirty four percent between 1871 and 1880 and retained an average of twelve percent in next decade and thirteen percent in the decade after.

Tea was once again being over-produced in the last few years of the nineteenth century. Not only had the acreage under tea doubled during 1884-1904 but production per acre has increased. Though its market price dropped after 1900 the cost of production was so cut as still to yield an average a profit of 8.4 percent in the first decade of the present century. The completion of the Assam-Bengal railway and the opening of the Chittagong port were a boon to the industry. In 1881 the export of tea reached the figure of 324 million lb. worth Rs. 17.7 crores, twenty one percent above the pre-war average in quantum. In 1920 the acreage was 704,049 and output more than 344 million lb. The dividend was rising.
## Table 4.4
Export of tea during British Period

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantities (million lbs.)</th>
<th>Value (Rs. Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1840-41</td>
<td>----</td>
<td>0.27</td>
</tr>
<tr>
<td>1860-61</td>
<td>----</td>
<td>1.27</td>
</tr>
<tr>
<td>1870-71</td>
<td>12.7</td>
<td>10.8</td>
</tr>
<tr>
<td>1880-81</td>
<td>38.4</td>
<td>30.7</td>
</tr>
<tr>
<td>1890-91</td>
<td>110.2</td>
<td>44.0</td>
</tr>
<tr>
<td>1900-01</td>
<td>192.2</td>
<td>96.8</td>
</tr>
<tr>
<td>1910-11</td>
<td>244.0</td>
<td>124.6</td>
</tr>
<tr>
<td>1920-21</td>
<td>284.1</td>
<td>121.4</td>
</tr>
<tr>
<td>1930-31</td>
<td>346.2</td>
<td>260.0</td>
</tr>
<tr>
<td>1940-41</td>
<td>349.4</td>
<td>278.8</td>
</tr>
</tbody>
</table>

**Source:** Statistical Abstracts for British India.

Most of the tea gardens were situated in remote and uninhabited parts of country, and though the plantations later provided a substantial volume of employment for labour imported from depressed areas, initially the wage-rates remained low and the physical treatment of workers was appallingly bad. The real expansion of tea as a significant item of export came in the 1880s. In 1867-68 exports stood at only 7.8 million lbs, contributing 1.4 percent of total value\(^\text{26}\). By the last decade of the century, exports had increased to over 140 million lbs. on an average and accounted for six to ten percent in value terms. The phenomenal growth in the consumption of Indian tea in Europe and North America is probably

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explained by a very high-income elasticity of demand and continuous rise in the standard of living of the masses in these countries. But after the First World War the demand for tea became very inelastic to price changes, while the number of tea producing countries continued to increase.

Though there had been always a great variety in the size of plantations tea tended to became a large-scale industry. Under the increasing control of European companies consolidation of smaller gardens was stimulated. Much more British capital was invested and managing agency system had monopoly. There was a slight shift of control in Bengal from European to Indian hands. A similar trend, though less pronounced, was seen in the Assam plantation.

4.5.5 Post-Independence period till Liberalisation AD 1947-1991

After the country became independent in 1947, the Government aimed at bringing about rapid industrial development of the country. The Industrial Policy Resolution of 1948 signaled acceptance of the principle that government will have a major role in initiating and regulating development in one of the key sectors of the economy. Naturally the industrial policy (announced in 1948) came to be reflected in India’s foreign trade policy aimed at restricting import of commodities that could be produced in the country and to encourage import of capital goods necessary for rapid industrialization. But because of the partition of

\(^{27}\) Ibid, p. 949.
India's export trends

the country in 1947 the country lost substantial areas of wheat, cotton and jute producing areas to Pakistan. India was therefore required to import substantial quantities of food grains, raw cotton and raw jute.

On the import side therefore there was increasing import of raw material (like raw cotton, jute etc.), which rose from twenty two percent of total imports in 1938-39 to thirty one percent in 1948-49\(^2\). On the other hand, import of manufactured goods declined from 60.8 percent to forty four percent during the same period.

During the fifties and first half of the sixties the traditional commodities such as tea, raw cotton and jute and their manufactures, hides and skins, spices, tobacco, cashew kernel, oil and oilcakes, iron ore, continued to be the major export commodities and also included coir and coir manufactures, coffee, iron and steel, fruits and vegetables, chemicals and engineering goods. With the success of industrialization new commodities gained importance in exports. The late sixties saw the beginning of changes in the commodities which trend continued in the seventies and eighties also. Jute and cotton manufactures continued to be exported, but of a lesser value. There was a quantum leap in the value of exports of tea, engineering goods, iron ore, minerals oils, sugar, coffee, iron and steel, oilcakes, leather and leather manufactures, chemicals and allied products. Exports

India's export trends

of coir yarn and manufactures, cashew kernels, tobacco, pepper, raw cotton, fish
and fish preparation continued at steady rate.

The manufacturers of sophisticated engineering goods such as
sophisticated plant and machinery, power station equipment, heavy transportation
equipment and simple consumer goods in the country with high demand in the
foreign markets boosted. India’s exports of engineering goods, while drought
conditions and the consequent fall in supplies reduced the exports of agricultural
commodities and agro based products. The development of the electronics and
software industry has seen increasing exports of electronics goods and computer
software.

Another notable feature is that the import of food grain as well as the
increased and import of capital goods also increased. Export of raw material
reduced because of pace of industrialization.

The Government also gave encouragement to the policy of increasing
export of manufactured goods instead of raw material hereafter for developing
industries. There has been a progressive relaxation of industrial licensing, import
regulation, restriction of import of technology, terms of collaboration and
restrains on expansion of big business houses and other controls on private sector.
The liberalisation of fiscal and other incentives for exports and private investment
is another indication of the shift in attitude to the private sector.


4.6 Post Liberalisation period 1991-2004

The Congress Government led by Mr. Narasimha Rao announced the new industrial policy in July 1991. The main aim of the new industrial policy was:

a) To do away with or substantially reduce controls on capacity creation, production and prices, and let market forces influence the investment and operational decisions of domestic and foreign economic agents within the domestic tariff area;

b) To allow international competition and therefore international relative prices to influence the decision of these agents;

c) To reduce the presence of state agencies in production and trade, except in areas where market failure necessitates state entry; and

d) To liberalize the financial sector by reducing controls on the banking system, allowing for the proliferation of financial institutions and instruments and permitting foreign entry into the financial sector.

e) These were all based on the notion that greater freedom given to private agents and market functioning would ensure more efficient and more dynamic outcome\textsuperscript{29}. All these reforms of industrial policy led the government to take a series of initiatives in respect of policies in the following areas: a. Industrial licensing; b. Foreign investment; c. Foreign technology policy; d. Public sector policy; and e. MRTP Act.\textsuperscript{30}

\textsuperscript{29} Op.cit, Kumar Dharma, p. 1037.
\textsuperscript{30} Dut, Ruddar, Sundharam K.P.M., Indian Economy, S. Chand, New Delhi, 2006, pp. 184-185.
4.6.1 Industrial Licensing Policy

Industrial licensing to be abolished for all projects except for a short list of industries related to security and strategic concerns, social reasons, hazardous chemicals and overriding environmental reasons and small scale sector.

Features of Industrial Licensing Policy:

a. Areas where security and strategic concern predominate will be continued to be reserved for the public sector.

b. In locations of industries other than cities of more than one million populations, there will be no requirement of obtaining industrial approval from the Central Government except for industries subject to compulsory licensing.

c. Existing units will be provided facility to enable them to produce any article without additional investment.

d. The exemption from licensing will apply to all substantial expansion of existing units.

e. The mandatory convertibility clause will be no longer applicable for term loans from the financial institutions for new projects.

f. All existing registration schemes will be abolished.

g. Entrepreneurs will henceforth only be required to file an information memorandum of new projects and substantial expansion.
4.6.2 Foreign Investment

In order to invite foreign investment in high priority industries, requiring large investment and advanced technology, it was decided to provide approval for direct foreign investment up to forty one percent foreign equity in such industries. For the promotion of exports of Indian products in world markets, the government would encourage foreign trading companies to assist Indian exporters in export activities.

Features of Foreign Investment Policy

a. Approval will be given for direct foreign investment up to forty one percent foreign equity in high priority industries. There shall be no backwardness of any kind in this process; such clearance will be available in foreign equity covering the exchange requirements for imported capital goods.

b. While for the import of components, raw materials and intermediate goods, the payment of know-how fees and royalties will be governed by the general policy appliance to domestic units, the payment of dividend would be monitored through R.B.I. so as to ensure the outflows on account of dividend payments are balanced by export earning over a period of time.

c. Other foreign equity proposal, involving forty one percent foreign equity which does not meet the criteria under (1) above, will continue to need prior clearance.
India's export trends

d. To provide access to international markets, majority foreign equity holding up to forty one percent equity will be allowed for trading companies primarily engaged in export activities.

4.6.3 Foreign Technology Policy

With a view to injecting the desired level of technology dynamism in Indian industry, government would provide automatic approval for technology agreements related to high priority industries within specified parameters. No permission will be necessary for hiring of foreign technician, foreign testing of indigenously developed technologies.

Features of Foreign Technology Policy

a. Automatic permission will be given for foreign technology agreements in high priority industries up to a lump-sum payment of Rs. 1 crore, 4 percent royalty for domestic sales and eight percent for exports, subject to total payments of eight percent of sales over a period of ten years from date of agreement or seven years from commencement of production. The prescribed royalty rates are net of taxes and will be calculated according to standard procedure.

b. No permission will be necessary for living of foreign technicians, foreign testing of indigenously developed technologies.
4.6.4 Public Sector Policy

Public enterprises have shown a very low rate of return on the capital invested. This has inhibited their ability to regenerate themselves in terms of new investment as well as in technology development. The result is that many of the public enterprises have become a burden rather than being assets to the Government.

The 1991 Industrial Policy adopted a new approach to public enterprises. The priority areas for growth of public enterprises in the future would be following.

1. Essential infrastructure goods and services.
2. Exploration and exploitation of oil and minerals resources.
3. Technology development and building of manufacturing capabilities in areas, which are crucial in the long term development of the economy and where private sector investment is inadequate.
4. Manufacture of products where strategic consideration predominate such as defence equipment.

There are a large number of chronically sick public enterprises incurring heavy losses, operating in a competitive marketing and serving little or no public purpose. The following measures are being adopted.

a) Portfolio of public sector investments will be reviewed with a view to focus the public sector on strategic, high-tech and essential infrastructure.
Whereas some reservations for the public sector is being retained, there would be no bar for areas exclusively to be opened up to the private sector selectively. Similarly the public sectors will also be allowed entry in areas not reserved for it.

b) Public enterprises which are chronically sick and which are unlikely to be returned around will, for the formulation of revival/rehabilitation schemes, be referred to the Board for Industrial and Financial Reconstruction (BIFR), or other similar high level institutions. A social security mechanism will be created to protect the interests of the workers likely to be affected by such rehabilitation packages.

c) In order to raise resources and encourage wider public participation, a part of the government’s shareholding in the public sector would be offered to mutual funds, financial institutions, the general public and workers.

d) Boards of public sector companies would be made more professional and given greater powers.

e) There would be a greater thrust on performance improvement and managements would be granted greater autonomy through Memorandum of Understanding (MOUs) and would be held accountable.
4.6.5 MRTP Act

MRTP Act was amended to remove the threshold limits of assets in respect of MRTP companies and dominant undertakings. This eliminates the requirements of prior approval of Central Government for establishment of new undertakings, merger amalgamation and take-overs or appointment of Directors under certain circumstances. Emphasis will be placed on controlling and regulating monopolistic, restrictive and unfair trade practices. Simultaneously, the newly empowered MRTP commission will be authorised to initiate the investigation ‘suo moto’ on complaints received from individual consumers or classes of consumers in regard to monopolistic, restrictive and unfair trade practices.
Table 4.5
India’s Exports, Imports and Trade Balance in Rs. Crores

<table>
<thead>
<tr>
<th>Year</th>
<th>Export</th>
<th>Import</th>
<th>Trade Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>44041</td>
<td>47841</td>
<td>-3810</td>
</tr>
<tr>
<td>1992-93</td>
<td>43688</td>
<td>63374</td>
<td>-9687</td>
</tr>
<tr>
<td>1993-94</td>
<td>69741</td>
<td>73101</td>
<td>-3340</td>
</tr>
<tr>
<td>1994-94</td>
<td>82674</td>
<td>89971</td>
<td>-7297</td>
</tr>
<tr>
<td>1994-96</td>
<td>106343</td>
<td>122678</td>
<td>-16324</td>
</tr>
<tr>
<td>1996-97</td>
<td>118817</td>
<td>138920</td>
<td>-20103</td>
</tr>
<tr>
<td>1997-98</td>
<td>130100</td>
<td>144176</td>
<td>-24076</td>
</tr>
<tr>
<td>1998-99</td>
<td>139742</td>
<td>178332</td>
<td>-38480</td>
</tr>
<tr>
<td>1999-2000</td>
<td>149461</td>
<td>214236</td>
<td>-44674</td>
</tr>
<tr>
<td>2000-2001</td>
<td>203471</td>
<td>230873</td>
<td>-27302</td>
</tr>
<tr>
<td>2001-2002</td>
<td>209018</td>
<td>244200</td>
<td>-36182</td>
</tr>
<tr>
<td>2002-2003</td>
<td>244137</td>
<td>297206</td>
<td>-42069</td>
</tr>
<tr>
<td>2003-2004</td>
<td>293367</td>
<td>349108</td>
<td>-64741</td>
</tr>
<tr>
<td>2004-2004</td>
<td>361879</td>
<td>490432</td>
<td>-128643</td>
</tr>
<tr>
<td>2004-2006*</td>
<td>293829</td>
<td>424667</td>
<td>-131837</td>
</tr>
</tbody>
</table>


* April to December

From the table 4.5 it is clear that negative trade balance means import is more than export. In 1991-92 the trade deficit was Rs. 3810 Crores which was increased to Rs. 131837 Crores in year 2004-06. As export is increasing but import is also increasing faster than export, it shows that there is immense need to boost export.
4.6.6 Effects of Liberalisation on tea export:

Due to liberalisation the import has increased from countries like Vietnam and others. Imported tea was used for blending with Indian tea and was allowed to be exported. As far as effect on export of tea was concerned it can be studied in two five year plan (Eighth and Ninth) which falls between 1991 and 2002. In the Eighth Five Year Plan the average annual rate of growth of production was 1.1 percent due to increase in area by 0.6 percent and yield by 0.4 percent. Export was marginally increased by 0.4 percent and internal consumption by 2.3 percent and central revenue by 1.0 percent.

In the Ninth Five Year Plan although area are increased over the years by 178 percent, production improved marginal (less than 0.4 percent) mainly on account of fall in productivity. Export was more or less equal over the years but value of exports went up because of improvement in unit value (Rs 84.79 to 87.13 per kg). Internal consumption was hiked @ 3.24 percent annually.  

Table 4.6

<table>
<thead>
<tr>
<th>Effects of Liberalisation</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive</td>
<td>16</td>
<td>62</td>
</tr>
<tr>
<td>Negative</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Neutral</td>
<td>7</td>
<td>26</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>26</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Compiled from Questionnaire

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Table 4.6 and Graph 4.2 reveal that 61 percent of exporters agree that liberalization has brought positive impact on the tea export as imports of tea is easily allowed. Imported tea is blended with Indian tea and re-exported. Twenty seven percent of respondents feel that liberalisation has brought a negative effect on tea export whereas 27 percent feels that effect of liberalization is neutral on tea business.

4.6.7 The Foreign Trade Policy for 2004-09 (FTP 2004)

The Government of India has replaced Exim Policy 2002-2007 with Foreign Trade Policy 2004-2009 for achieving the target of total world export to 0.8 percent. The Foreign Trade Policy for 2004-09 (FTP 2004) announced on August 1, 2004 aims at doubling India’s share in global trade within five years time frame and using trade policy as an effective instrument of economic growth
India's export trends

and employment generation, with the export strategy relying, inter alia, upon a set of promotional schemes.

A new five-year export-import policy for the five year period 2004-09 was announced on August 31, 2004.

4.6.7.1 Major Features.

1. **Special Duty-free Schemes**: Exporters of specified farm goods would benefit from a new duty-free credit entitlement up to four percent of the FOB price, all other agriculture product exporters would be allowed to import capital goods free of duty under the EPCG scheme.

2. **Special Focus Initiatives for Employment-Intensive Sectors**: The export limit to become Small and Medium Exporters (SMEs) has been brought down from 44 crores to 14 crores. SMEs would also benefit from the liberalization of import of capital goods and additional flexibilities for fulfillment of export obligations under the EPCG scheme.

3. **New Export Promotion Schemes**: Three new export promotion schemes have been introduced. These are as follows:
India's export trends

a. **Target Plus**: This scheme provides incentives to all exporters who exceed the normal export target growth of sixteen percent fixed by commerce ministry for 2004-04.

b. **Vishesh Krishi Upaj Yojana**: Duty free credit entitlement of four percent FOB value of exports for exporter of fruits, vegetables, flowers and minor forest produce would be available and these would be freely transferable and can be used for import of inputs and goods.

c. **Served From India**: Under this scheme, the policy tries to create a powerful brand for Indian services in export in the global market. It would cover all 161 tradable services covered under the General Agreement of Trade in Services.

4. **Duty Entitlement Pass Book Scheme to be phased out**: This policy adopts the principle that duties and levies would not be exported. EOUs have been exempted from service tax, while other exporters would be refunded service tax paid on inputs for export production.

5. **Biotech parks**: Government has crafted Biotech parks for biotechnology same as Software Technology Parks. All facilities available to 100 percent EOUs will be extended to biotech companies located in these parks.
6. **Capital Goods Imports Liberalised**: In this area, major initiatives can be identified as follows:

   a. Norms under EPCG scheme have been liberalized.
   
   b. Capital goods would be allowed to be imported duty free for export of agri-products and their value added variants.
   
   c. Export obligations on EPCG licences with duty saved of Rs. 100 crores or more have been reduced from 8 years to 12 years.
   
   d. Age restriction for import of second hand capital goods has been removed.
   
   e. Other charges include incentives and facilitating technological upgradation.

7. **New Scheme to establish Free Trade and Warehousing Zones with 100% FDI**: The FTWZs are meant to create trade-related infrastructure. They would be developed as trading hubs on the lines of the existing zones in the Middle East and many other countries. The FTWZs will enjoy all benefits of SEZs which are manufacturing hubs.

8. **Simplification of Norms**: There is a focus on procedure simplification and rationalization of measures for exporters. This, in the long run, would reduce transaction cost for the exporters.
4.6.7.2 Effects of present Foreign Trade Policy on Export Promotion

Table and graph show the effect of FTP on export of tea.

Table 4.7
Positive Effect of present Foreign Trade Policy on Export Promotion

<table>
<thead>
<tr>
<th>Effect of present FTP</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>14</td>
<td>47.7</td>
</tr>
<tr>
<td>No</td>
<td>11</td>
<td>42.3</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Compiled from Questionnaire

As shown in Table 4.7 and graph 4.3 percent of respondents feels that effect of Foreign Trade Policy on tea industry is positive whereas forty two percent feels that effect is negative.
India's export trends

Removal of age restriction on imports of second hand capital goods would help domestic companies to be more cost competitive as many good steel and cement plants shut down on environmental issues are available in various parts of the world. These can be picked up at a fraction of the cost of a new plant by Indian companies. This will help them to get a significant cost advantage\(^2\).

On the other hand the decision to allow import of second hand capital goods without any age bar could result in dumping of capital goods into the country, thereby adversely affecting the domestic industry. Import of seeds would mean that farmers would have to get fertilizers and pesticides too from the same manufacturer.

### 4.7 Conclusion

The agricultural sector has been playing a key role in the composition of Indian exports. However, it is very surprising to note that the share of Indian agricultural exports have been solely declining in recent years. In the era of globalization, the agricultural exports from India have been facing many internal and external challenges. Its share has declined from 18.2 percent in 1998-99 to 13.4 percent in 2001-02 and further reduced to 11.7 percent in 2002-03.

It is very much disappointing to note that the share of India’s exports in tea, tobacco, sugar and molasses have been slowly declining in the global market.

But the share of coffee, rice, fish and preparations has been attracting the global market by raising their shares in spite of many hurdles.

Production bottlenecks like cost diseconomies’ poor quality and increasing domestic demand are considered as the major hurdles to the Indian agricultural exports in the domestic form. Declining world demand, competition from other countries, invention of substitutes, etc., are the major external constraints to Indian agricultural exports.