SUMMARY OF CONCLUSIONS, FINDINGS AND SUGGESTIONS

Trade policy reforms in India, initiated in 1991, drastically changed the foreign trade scenario and have resulted in the shift from ‘inward-oriented’ to ‘outward-oriented’ strategy. With the sweeping liberalization process that is currently under way in the foreign trade sector, the level of protection to Indian Industry has declined significantly. This step was the beginning of the globalization process in Indian economy. The globalization process taken the pace with the establishment of World Trade Organization (WTO) in 1995. This new trading arrangement calls for massive cutting down of import tariffs and allowing more liberal imports of a number of goods whose imports were earlier either totally banned or severely restricted. For Indian Government, being a founder member of WTO, it was under an obligation to strike down all quantitative restrictions on imports and reduce import tariffs so as to ‘open up’ the economy to world.

What would be the effect of the globalization process on the economy of under developing countries has been the most discussed issue during the
past two decade. The proponents exaggerate the financial statement at the profit of WTO and give the notion that by doing this International Trading Arrangement, global per capita would increase, globalization process will get pace and, more importantly, exporting opportunity would increase. The opponents, on the other hand, argue that developed countries (specially U.S.A) have been dominant in Uruguay round talk and whatever pact had been done they all were in favour of developed nation and disfavour to under developing countries.

In the context of the above description, the present study made an attempt to examine that whether India’s foreign trade has grown up or not in reality during the globalization era. Summary of findings of this study are discussed below:-

In the discussion of India’s trade policy, it was found that for many years, after India’s independence, India’s trade policy was based on the assumption that it was not feasible for the country to achieve a very high rate of growth in exports. Main emphasis in the initial year of planning was on import substitution. Trade policy reforms over the last two decade have aimed at creating an environment for achieving rapid rise in exports, raising India’s share in world exports and making exports an engine for achieving higher economic growth. Period of 1990s witnessed a perceptible change in
the trade policy. Focus of these reforms have been on liberalization, openness, transparency and globalization with a basic thrust on outward orientation focusing on export promotion activity, moving away from the quantitative restrictions and improving competiveness of Indian industry to meet global requirements.

In the analysis of trends in India’s foreign trade during the globalization era, it was found that value of India’s exports and imports increased considerably over the entire period of planning. Both external and domestic factors contributed to this satisfactory performance. Improved global growth and recovery in world trade aided the strengthening of Indian exports. As far as domestic factors are concerned, opening up of the economy and corporate restructuring was enhanced the competitiveness of Indian industry. Export-orientation of domestic manufacturers and corporate sector has been pursuing new growth strategies in response to economic activity, especially in the manufacturing sector, provided a supporting base for strong sector-specific exports. Merchandise imports also increased considerably during Tenth Plan. Main reasons for this increase were high international prices of crude oil, lower import tariffs and a buoyant domestic economy (which resulted in higher imports of capital goods, industrial raw materials and intermediate goods). The penetration of India’s exports in the
global market was very limited in the pre-reform period and made little difference to the country’s relative position in world exports. Share of exports in world export remained around 0.5 percent in the entire period. In the post reform period, there was considerable buoyancy in India’s exports. It increased substantially higher rate than the world exports growth. Consequently India’s share in world exports went up from 0.53 percent in 1992 to 1.11 percent in 2008 indicating rising share of exports. On an annual average basis, India’s exports expanded at a faster rate than that of world exports during the entire period.

Composition of India’s export in post-reform period exhibited similar trend as it was observed in pre-reform period. Share of primary product in total exports continued declining as it was 23 percent in 1990-91, 16 percent in 2001-02, 15 percent in 2009-10 and 7.9 percent in 2014-15. Within the primary products, share of tea & mate, oil cake, cashew kernels, fish & fish preparation and iron ore in total exports continued declining. As far as concerned the manufacture product export, it exhibited two distinct phases—1991-92 to 2001-01 and 2001-02 onwards. During the first phase, share of manufactured product export increased while during second phase it shows declining trend. In 1991-92 share of manufacture product export in total export was 74 percent which gone up to 76 percent in 2001-02 but showing
declining trend it fell down to 64 percent in 2009-10 and 42 percent in 2014-15. However, during the entire post-reform period, export of manufacture product continued to account major share in India’s total export as share of these product was well above to that of primary product export.

During the post-reform period, basket of manufactured product also exhibited significant change. Contribution of readymade garments and handicraft products, which were leading export product in 1991-92, declined while contribution of engineering goods, chemical & allied products, gems & jewelary and petroleum products has increased. These results reflect that during the post-reform period India’s exports has transformed from low value added products to high value added products.

An interesting feature India’s manufactured export during the post reform period is that petroleum products have emerged as significant export product, in 2013-14, exports of petroleum products occupied second position in India’s export earnings. A point that needs to be noted here is that compositional shifts within the broad level of aggregation during the last decade. For instance, within the petroleum product, crude imports following a large-scale increase of refinery capacity over time. Furthermore, India transformed itself from a net importer of finished petroleum products to net exporter of the same in 2001-02.
To meet the requirements of the gems & jewellery industry, pearls and precious and semi-precious stone were imported in large quantities. As far as import is concerned for most of the post-reform period, import of capital goods accounted for almost one-fourth of import expenditure. Import of fertilizers, non-electrical machinery, apparatus, appliances and edible oil also increased considerably in this period.

In the analysis of direction of India’s trade it was found that exports of OECD group of countries which accounted for more than half of India’s export earnings during 1990s declined drastically during the post-reform period. Share of this group of countries in India’s exports was 57.8 percent in 1991-92 which fell down to 35.31 percent in 2009-10 and 18 percent in 2014-15. In 1991-92, almost half of the exports to OECD countries were accounted for by EU countries. Share of these countries in India’s total exports in post reform period has also declined significantly. Within the OECD group, share of North America, USA and Asia & Oceana in India’s exports have also declined during the post reform period. Because of the disintegration of communist regimes, share of Eastern Europe in India’s export earnings fell drastically.

On the other hand, share of other groups i.e. OPEC and Developing Nations in India’s exports during post reform period has increased
considerably. What is significant from India’s point of view is fact that share of developing nations of Africa, Asia and Latin America has risen considerably over the period of twenty-two year (1991-92 to 2009-10). Most important in this group have been the countries of Asia. Within the developing nations group, share of Africa and Latin American Countries has also increased during the post reform period.

Imports of OECD group of countries which accounted for more than half of India’s import expenditure during 1990s declined drastically during the post-reform period. In 1991-92, almost half of the imports to OECD countries were accounted for by EU countries. Share of these countries in India’s total imports in post reform period has also declined significantly. Within the OECD group, share of North America, USA and Asia & Oceana in India’s imports have also declined during the post reform period. Share of Eastern Europe group of countries in India’s import expenditure has also fallen drastically.

On the other hand, share of group of Oil Exporting Countries (OPEC) in India’s import expenditure has increased considerably during the post reform period. In fact, after 1990s share of this group in India’s import increase continuously. Around one-fifth of India’s import expenditure was due to heavy dependence on requirements of crude oil from this group.
Share of developing nations of Asia, Africa and Latin America has risen considerably. Share of Africa and Latin American Countries has remained almost stable during the post reform period.