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Trends In India's Exports: A Comparative Study Of Pre And Post Reform Period

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Abstract: *This paper analyzes the trends in India's exports using the time series data for the period 1980-81 to 2010-11. The Govt. of India introduced economic reforms since 1991 especially in the trade sector, therefore, in order to see the impact of economic reforms on India's export behavior, the whole time period has been divided into two sub-periods 1980-81 to 1991-92 (pre-reform period) and 1992-93 to 2010-11 (post-reform period). The study shows that India's exports performance improved significantly during the post-reform period and there has been a perceptible change in the value, composition and direction of India's exports. Though the volume and value of exports has increased manifold, India's share in the world exports is still not up-to the expectation.*
Keyword: *Economic Reforms, Economic Growth, India's Exports, Liberalization, Openness.*

I. Introduction

Exports have acquired added significance in the wake of liberalization wave sweeping across the world. The trend towards market economy in almost all the countries of world has increased the role of exports in developmental efforts. Therefore, exports constitute a key factor in economic development of a country. For a developing country, it is essential to build up a sizeable export surplus. The rate of economic growth is largely determined by the rate at which a country can expand its export capacity. Higher rates of economic growth tend to be associated with higher rates of export growth. A country that tries to promote growth while ignoring its export performance may succeed in the short-run, but it will be hard- pressed to sustain growth over a long period of time. Thus, it can be concluded that exports are a key factor in the growth process, not one of political astrology but of empirical fact.

The major concern of the government in the past was restriction of imports with a view to controlling the trade deficit and protection of domestic industries against foreign competition. Imports were, therefore were very much restricted by prohibition of imports of many few items, import licensing, very high import duties and foreign exchange restrictions. The foreign trade policy was characterized by the overtone of negativism. Beginning mid-1991, the Government of India introduced a series of reforms to liberalize and globalize the Indian economy. Reforms in the external sector of India were intended to integrate the Indian economy with rest of the world. In this context, the Ninth five year plan (1997-2002) observed, "The process of globalization is a reality which cannot be denied and also should not be avoided. However, it needs to be managed so that we can derive the maximum advantage from the world markets". Reforms of trade and exchange rate policy were a critical element in the process of structural reforms. Since the initiation of economic reforms, India's outward orientation has increased considerably.

The major trade policy changes in the post-1991 period included simplification of procedures, removal of quantitative restrictions and substantial reduction in tariff rates. A significant development in the current account of balance of payments in the 1990s was the remarkable growth in the exports of invisibles to the rest of world. This was made possible by unfrequented growth in information and communication related services like computer software, hardware, internet, e - commerce and telecommunication sector. The economic reforms process introduced since 1991 with focus on liberalization, openness, transparency and globalization has enabled increased integration of the Indian economy with the rest of world. The growth rate of India's trade is increasingly dependent on exogenous factors such as world trade growth (especially those of the trading partners), international price changes and development in the competitor countries. Cross currency exchange rates as well as dollar rupee exchange rate movements also get reflected in the performance of India's trade.

India's approach to openness has been cautious, contingent on achieving certain pre-conditions to ensure an orderly process of liberalization and ensuring macro-economic stability. This approach has been vindicated in recent years with growing incidence of financial crisis in the world economy. Over and above, the entire policy regime in India with regard to liberalization of external sector has witnessed perceptible change in the post-reform period.

OBJECTIVES AND METHODOLOGY OF THE STUDY:

The main objective of the present study is to make a comprehensive analysis of India's exports growth in the pre (1980-81 to 1991-92) and post-reform period (1992-93 to 2010-11). The sub-objectives are as follows:-

1. To examine the trends in India's exports in terms of value, volume and price indices.
2. To examine the structural changes in composition of India's exports.
3. To examine the structural changes in Direction of India's exports.
4. To analyze the magnitude of changes that has taken place with respect to share of India's exports in world exports.

To see the changes in India's exports regarding value, composition and direction regarding pre-reform period and post-reform period we have calculated the compound growth rate. In order to calculate the growth rate the following regression equation has been used:-

$$\mathbf{Y_t = Y_0 (1 + r)^t} \qquad \textbf{(1)}$$

Where,

Y_0 = the beginning value of Y

Y_t = Y's value at time t

r = the compound rate of growth of Y

Taking the natural log of above equation (1) on both sides we obtain:-

$$\mathbf{In\ Y_t = In\ Y_0 + t\ In\ (1 + r)} \qquad \textbf{(2)}$$

Let, bo = In Y_0

b_1 = In (1+ r)

Therefore, the equation (2) can be written as:-

$$\mathbf{In\ Y_t = bo + b_1\ t} \qquad \textbf{(3)}$$

Now, If we add the error term Uto above equation, we obtain:-

$$\mathbf{In\ Y_t = bo + b_1\ t + U}$$

We Know that, b_1= In (1+ r)

Therefore, Antilog (b_1) = (1+ r)

r = (Antilog b_1 – 1)

And since r is the compound rate of growth, once we have obtained b_1 (the slope coefficient) we can easily estimate the compound rate of growth of Y by using the following formula:-

Compound Rate of Growth = (Antilog b_1 – 1). 100

The present paper has been divided into five sections. Section-I is devoted to survey of literature. Section-II examines the trends in India's exports performance at aggregate level for the period 1980-81 to 2010-11. In section-III an attempt has been made to study the exports composition pattern. Section-IV analyses the direction of India's exports. The main conclusions and policy implications emerging out of the study are presented in section-V.

II. Survey Of Literature

The literature on role of exports as one of the deterministic factors of economic growth is a very old concept. Adam Smith and David Ricardo argued in favor of international trade as an engine of economic growth. Export sector is considered as a catalyst agent for sustaining and accelerating process of economic growth (Aggarwal, 1982). Countries devote home resources to exports because they can obtain more goods and services by international exchange than they would from the same resources devoted to direct home production. Depending upon marginal propensity to consume and propensity to import, exports have multiplier effect on Gross National Income (Bannock et al., 1992). Exports, by fostering specialization help to benefit from comparative advantage; utilizing the full capacity of plant size where domestic demand is less than full capacity production; getting benefit of greater economies of scale due to large market; expanding aggregate demand; increasing the rate of investment and technological changes; enabling import of essential raw materials and capital goods, result industrialization and thus rapid economic growth in developing economies (Chennery, 1979; Kavoussi, 1984; Ram, 1987; and Moon, 1998). Trade reforms formed an integral part of the overall structural reform process (RBI, 2001-02). The multilateral aspect of India's trade policy refers to India's commitments to the World Trade Organization (WTO) with regard to trade in goods and services, Trade Related Investment Measures (TRIMs), Trade Related Intellectual Property Rights (TRIPs). This open trade regime has been viewed as the least vulnerable form of globalization with enormous opportunities for higher growth emanating from higher exports (Krueger, 1998). Exports, being a major part of India's foreign trade, have assumed a place of paramount importance and play a significant role in economic development process through generating investible surplus and financing imports by earning foreign exchange (Kaur, 1993). Declining from respectable share of 2.00 per cent to 0.50 per cent during 1950-60, and hovering around 0.50 per cent during 1960-90, India's share in world merchandise export has increased from 0.56 per cent in 1991-92 to 1.0 per cent in 2005-06 and 1.6 percent in 2010-11. Trade policy reforms in recent past with their focus on liberalization, openness, transparency and globalization as well as creation of WTO have provided an export friendly environment with simplified procedure for trade facilitation (Economic Survey, 2007-08).

III. Trends In India's Exports

The progress of Indian economy in terms of exporting goods has been remarkable since the mid 1990s, especially compared with India's position in the early 1990s, with the outbreak of hostilities in the Persian Gulf in 1990 and the consequent spiraling of oil prices, there was tremendous pressure on India's foreign exchange reserves, aggravating on already weak balance of payments situation. Following this, the country plunged into deep economic crisis. The rate of inflation rose to a level much higher than what India had witnessed six months earlier. Foreign exchange reserves declined to a level covering only three weeks of imports. To compensate for this decline, India entered into a stand-by arrangement, together with a supplementary loan with International Monetary Fund (IMF). Following the IMF conditionality's, various reform measures were undertaken to raise the growth rate in a sustained way.

Reforms in domestic economy have been able to reduce excessive Government control of decision making. In the manufacturing sector, most of the reforms were incorporated into the industrial licensing policy of 1991, implemented subsequently through a series of Government notifications. It was only from 1991 that exports were being seen as an integral part of industrial and development policy. The policy, thereafter emphasized technological up-gradation, increase in size of plants, freer imports and domestic and international competition for the entire industrial sector as pre-requisite for export promotion. All these steps have helped the business environment immensely and propelled growth in India's exports. In this section, we have computed the growth rate of India's exports in terms of value, volume and unit value indices pre and post economic reforms period.

TABL: 1.1

GROWTH RATE OF INDIA'S EXPORTS PRE AND POST ECONOMIC REFORMS PERIOD

VARIABLE	COMPOUND GROWTH RATE FOR PRE-REFORM PERIOD (1980-81 TO 1991-92)	COMPOUND GROWTH RATE FOR POST-REFORM PERIOD (1992-93 TO 2010-11)
India's Exports	7.9%	14.8%
India's Volume indices of Exports	6.1%	11.1%
India's Unit Value Indices of Exports	10.6%	5.5%

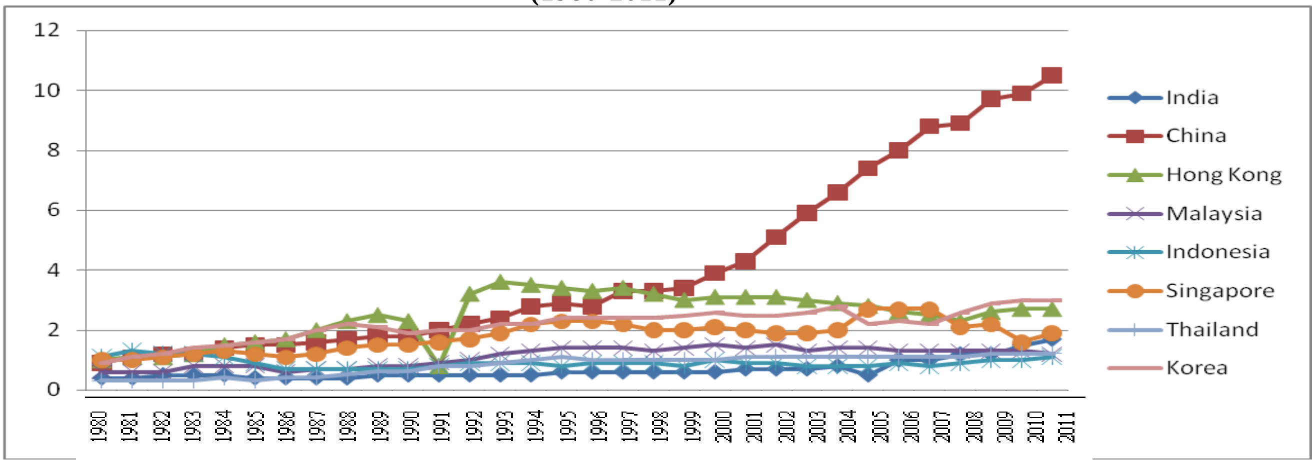
Source:- Handbook of statistics on Indian Economy (various issues) & Author's calculation

The above table (1.1) shows that Compound growth rate of India's exports is found to be 7.9 percent during the pre-reform period but it is found to be almost double (14.8 percent) during the post-reform period. This implies that India's exports exhibited a sharp turnaround during the post-reform period. Buoyancy in world demand, revival of world trade reflecting East Asian recovery, bottoming out of some global commodity prices, coupled with trade policy initiatives taken by the Government, inter alia, contributed to this export increase. A stable domestic macroeconomic environment including low inflation and a relatively stable exchange rate in real effective terms, may have also contributed to this turnaround in exports. The compound growth rate of volume indices of India's exports is found to be 6.18 percent during the pre-reform period but it is found to be almost double i.e. 11.18 percent during the post-reform period. It implies that the volume indices of exports have registered an upward trend during the post-reform period mainly because of the following facts:- Recovery in international commodity prices, movements in cross currency exchange rates, a faster repatriation of exports proceeds, various policy initiatives for export promotion and market diversification contributed to upsurge in export volume in post reform period. But the Unit value indices of India's exports registered a sharp downward trend during post-reform period mainly due to resurgence in international crude oil prices.This further implies that competitiveness of Indian industry has increased in post-reform period.

INDIA'S SHARE IN WORLD EXPORTS VIS- A- VIS INTERNATIONAL COMPARISON

The Annexure (1) & Fig (1) shows that India's share in world merchandise exports has increased from 0.4 percent in 1980 to 1.7 percent in 2011. India's share in world merchandise exports has started rising since 2007 albeit a very slow 0.1 percentage point so as to reach 1.21 percent in 2008 and 1.25 percent in 2009. This was mainly due to the relatively slow rise or greater fall in world export growth than India's. Recently, announced Foreign Trade Policy also set the long-term policy, objective to double India's exports share in global exports by 2020. The annexure further shows that India's share in the total world exports is not so good as compared to china which is the outcome of the lack of competitiveness of Indian goods in the international market. The increase in China's share of world exports between 2000 and 2008 at 5.1 percentage points is slightly less than one half of the total increase in the share of developing countries over this period. Hong Kong, South Korea and Singapore, with higher values of exports than India in absolute terms also registered high share in world exports as compared to India.

FIG:-1
INDIA'S PERCENTAGE SHARE IN WORLD EXPORTS VIS-À-VIS OTHER COUNTRIES (1980-2011)



IV. Composition of India's Exports

The changing structure of India's exports throws some interesting light on both the demand pattern and supply factors that are increasingly influencing India's exports and the manner in which its production structures, institutions, and policies are responding to it. Regarding changes in the composition of exports since 1980s, it may be observed that the share of agriculture and allied products has been declining while that of ores and minerals has remained more or less steady. Share of manufactured goods has increased generally. Although the opening up of the Indian economy since the early 1990s provided impetus for higher growth for most of the commodities, some products gained more than the others. India's merchandise exports are predominated by the manufacturing sector which accounted for more than three- fourth of its total exports during post-reform period.

FIG: 2 COMPOSITION OF INDIA'S EXPORTS (2010-11)

I.) AGRICULTURE AND ALLIED PRODUCTS:-

Agricultural products like tea, coffee, rice, tobacco and spices are important items of India's exports and hence foreign exchange earnings. Agriculture is also the source of raw material for agro-based industries including textiles, jute, sugar, paper and processed foodstuffs. Moreover, agricultural sector provides market for capital goods inputs and light consumer goods. The growth rate of India's exports of agriculture and allied products pre and post economic reforms period has been presented in the following table (1.2):-

TABLE: - 1.2
GROWTH RATE OF INDIA'S EXPORTS OF AGRICULTURE AND ALLIED PRODUCTS PRE AND POST ECONOMIC REFORMS PERIOD

COMMODITY	COMPOUND GROWTH RATE FOR PRE-REFORM PERIOD (1980-81 TO 1991-92)	COMPOUND GROWTH RATE FOR POST-REFORM PERIOD (1992-93 TO 2010-11)
I.)Agriculture & Allied products	1.9	9.7
1. Tea	0.8	3.0
2. Coffee	-2.5	3.1
3. Rice	-0.4	10.0
4. Tobacco	-4.4	10.6
5. Marine Products	5.7	5.4
II.) Ores & Minerals	2.2	17.5

Source:- Handbook of statistics on Indian Economy (various issues) & Author's calculation

The above table (1.2) reveals that The compound growth rate of India's exports of agriculture and allied products is found to be only 1.9 percent during the pre-reform period but it is found to be higher i.e. 9.7 percent during the post-reform period. It implies that the exports of agriculture and allied products has been rising during post reform period due to the factors such as:-Adoption of a National Agricultural policy (NAP) by the Government of India, Establishment of Agriculture Export Zones (AEZs), VisheshKrishi and Gram UdyogYojna (VKGUY) and Opening of Agriculture under W.T.O.

1. TEA:

Tea has been the most important traditional commodity in our exports. The Indian tea industry is a profile source of foreign exchange for the central and state Governments. India has the largest average as well as the highest production of tea in the world. It even occupied first position in our export items in the few years of sixties. The compound growth rate of India's exports of tea is found to be only 0.8 percent during pre-reform period which indicates very poor performance of tea exports due to the factors such as:- Increase in domestic demand for tea faster than expansion in its production, Rise in price of tea in domestic market vis-à-vis international prices, Competition from East Africa, China, Lanka and Bangladesh, Low yield rate, Increase in cost of production, Heavy fiscal burden and Progressive tax policy of Government. But the C.G.R is found to be 3.0 percent during post-reform period which is greater as compared to pre-reform period. It implies a rise in exports of tea during post reform period because of factors such as: Improvement in the production of North Indian tea, Firming up of tea price in the world market, Rise in unit value realization and Failure of Kenya's tea crop.

2. COFFEE:-

Coffee is another important traditional commodity in India's export basket. The C.G.R of India's exports of coffee is found to be negative during the pre-reform period. It implies very poor performance of coffee exports due to fall in exports of coffee to USA and EEC. But the exports of coffee have shown some improvement during post-reform period as C.G.R is found to be positive. This rise in exports of coffee may be attributed to the factors such as: Failure of Brazilian coffee crop, Increase in India's competitiveness in coffee.

3. RICE:-

The C.G.R of India's exports of rice is found to be negative during pre-reform period. The fall in export volume, in face of the buoyant market conditions is due to decline in domestic availability following the drought conditions and because of ban placed on exports of non-basmati rice to augment domestic supply. But during the post-reform period exports of rice has shown a remarkable growth as C.G.R is found to be 10.08 percent. The adjustments in the exchange rate of rupee, attractive premium on exim-scrip and inclusion of exports of certain varieties of rice in the open general license made the exports of rice competitive. Bulk of these exports found their ways to the gulf region and the USA. Further, recovery in agriculture also facilitated an increase in rice exports during post-reform period.

4. **TOBACCO:-**

Tobacco has been yet another highly playing traditional exportable item and its relative share in the country's exports, like that of other traditional exportable has been marginal and has moved in a narrow direction in eighties. India's exports of tobacco experienced a negative growth rate during pre-reform period mainly due to the reasons such as:- Anti-smoking drive, Increased competition from other tobacco producing countries, Higher price as compared to Brazil and South Korea, Decline in exports to China and USSR, Drought conditions prevailing in the country, Stagnant yield and Use of traditional methods of cultivation, Pressure for internal consumption, Failure to produce quality tobacco and Increase in the cost of production. But the exports of tobacco have shown a rapid growth during post-reform period as the C.G.R is found to be 10.6 percent. This is mainly due to higher unit value realization. Furthermore, the rapid growth of exports of tobacco during post- reform period is a welcome development in view of the value-added being generated within the country.

5. MARINE PRODUCTS:-

The C.G.R of exports of marine products is found to be 5.76 percent during pre-reform period and 5.44 percent during post-reform period. Improved catch position because of the operation of chartered vessels, coupled with better infrastructural facilities like cold storage, transport, etc. and quality control gave apparently a boost to these exports.

II) Ores and Minerals:-

The C.G.R of exports of ores and minerals is found to be only 2.22 percent during pre-reform period due to the cyclone in Andhra Pradesh. But during the post-reform period C.G.R is found to be very high i.e. 17.59 percent. The surge in exports of ores and minerals is contributed mainly by expansion in exports of iron ore (which more than doubled) during post-reform period.

III) MANUFACTURED GOODS:-

This a major commodity group exported by India, whose share in the total exports of our country has consistently grown. The growth rate of India's exports of manufactured goods pre and post economic reforms period has been presented in the following table (1.3):-

TABLE: 1.3
GROWTH RATE OF INDIA'S EXPORTS OF MANUFACTURED GOODS PRE AND POST ECONOMIC REFORMS PERIOD

COMMODITY	COMPOUND GROWTH RATE FOR PRE-REFORM PERIOD (1980-81 TO 1991-92)	COMPOUND GROWTH RATE FOR POST-REFORM PERIOD (1992-93 TO 2010-11)
III. Manufactured Goods	12.3	13.6
1.Leather & Manufactures	14.2	6.0
2.Engineering Goods	9.4	19.6
3.Gems &Jewellery	15.4	13.8
4.Chemical& Related products	20.5	16.0
5.Petroleum Products	24.6	37.7

Source:- Handbook of statistics on Indian Economy (various issues) & Author's calculation

The above table (1.3) shows that Compound Growth Rate of India's exports of Manufactured goods is found to be 12.3 percent during pre-reform period but it improved slightly i.e. 13.6 percent in post-reform period which implies that the exports of manufactured goods have shown an improved performance in post-reform period. However, the consistent rise in the share of this commodity group can be attributed to many commodities, whose exports have shown a remarkable increase. Category wise export performance of manufactured goods is as follows:-

1. LEATHER AND MANUFACTURES:-

The Leather industry occupies a very vital place in Indian economy by virtue of its wide spread, sizeable employment and exports potential. Leather is an export worthy product and unlike gems and jewellery; it has very little import content. The C.G.R of India's exports of leather and manufactures is found to be 14.2 percent during pre-reform period. But the exports of leather and manufactures declined sharply during post-reform period as C.G.R is found to be only 6.0 percent due to the factors such as: Demand contraction in developed countries resulting from global recession, Sharp drop in exports of finished leather and footwear components mainly due to the break- up of former USSR, Depressed market conditions for leather in European union countries and delay in clearance of imported consignment etc. In view of competition from developed countries, the Government has set up an inter-ministerial committee to provide a single window clearance to enable leather exports to meet their requirements of imported raw materials, machinery etc. on a priority basis. The export base of this item has been strengthened by the change in the composition of exports wherein there has been an increase in the share of finished products and items with higher value additions. The leather exports promotion council has also taken steps to improve the skills of technical personnel and to promote the development, fabrication and distribution of improved tools for tanning etc.

2. ENGINEERING GOODS:-

The C.G.R of exports of engineering goods is found to be 9.4 percent during pre-reform period but almost doubled during post-reform period as period as C.G.R is found to be 19.6 percent due to the factors such as: Rising demand from countries in East Asia and China, Growing industrial base of the country, Fixation of minimum value addition levels and Stream ling of procedures for ensuring optimal use of funds under IPRS i.e. International Price Reimbursement Scheme. Finally, the sharp rise in the engineering goods exports indicates that despite rising protectionism in the developed countries and strong competition in international market from the newly industrialized countries these items have achieved acceptable quality and quantity standards.

3. GEMS AND JEWELLERY:-

Gems and Jewellery comprising diamonds, gold jewellery, silver jewellery etc. constitute a growth potential export sector. The product group of gems and jewellery makes significant contribution to country's overall export earnings and remains in forefront of foreign exchange earners. The C.G.R of exports of Gems and Jewellery is found to be 15.4 percent during pre-reform period but during the post reform period, exports of gems and jewellery declined slightly due to non-availability of good quality rough gemstones, breaking of single channel supply and growing competition, Demand contraction in developed countries resulting from global recession etc.

4. CHEMICAL AND RELATED PRODUCTS:-

The C.G.R of exports of Chemical and Related products is found to be 20.5 percent during pre-reform period which indicates the impressive performance of exports of Chemical and related products. But the exports of chemicals and related products declined slightly during post-reform period. This decline in exports of chemicals in post-reform period may be attributed to demand contraction in developed countries resulting from global recession.

5. PETROLEUM PRODUCTS:-

The compound growth rate of India's exports of petroleum products is found to be 24.6 percent during pre-reform period 37.7 percent during post-reform period. This implies that India's exports of petroleum products have shown a remarkable performance in both the periods especially in post-reform period. Enhanced domestic refining capacity developed with a supportive tariff structure is mainly responsible for surge in exports of petroleum products in post-reform period.

V. Destination/Direction of India's Exports (1980-81 To 2010-11)

Direction of foreign trade refers to the relative share of various countries or country group in our imports and exports. Not only the composition of India's foreign trade has undergone substantial changes, there has also been marked change in the relative share of our exports and imports to various countries signifying the emerging new economic relationships. In the present section, we have discussed the direction of India's exports. The growth rate of India's exports to major regions/ countries has been shown in the following table (1.4):-

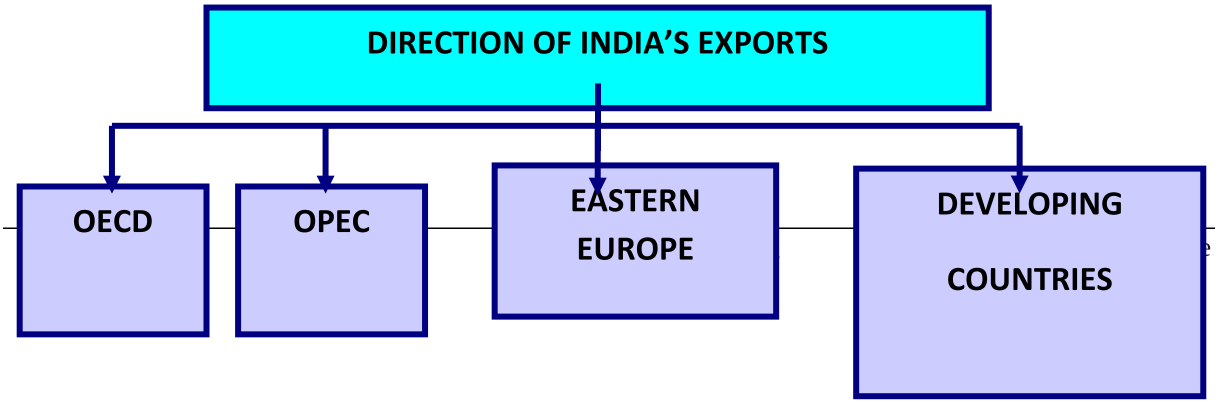


TABLE: 1.4 GROWTH RATE OF INDIA'S EXPORTS TO MAJOR REGIONS/COUNTRIES PRE AND POST ECONOMIC REFORMS PERIOD

COUNTRY	COMPOUND GROWTH RATE FOR PRE-REFORM PERIOD (1980-81 TO 1991-92)	COMPOUND GROWTH RATE FOR POST-REFORM PERIOD (1992-93 TO 2010-11)
A. Organization for Economic Co-operation and Development (OECD)	11.1	11.1
1. European Union (EU)	12.5	12.4
2. North America	15.2	11.1
3. Asia and Oceania	8.9	6.1
4. Other OECD Countries	6.8	11.1
B. Organization of Petroleum Exporting Countries (OPEC)	0.6	20.5
C. Eastern Europe	3.6	5.0
D. Developing Countries	8.3	18.2
1. Asia	10.9	17.8
2. Africa	-2.1	19.4
3. Latin American countries	21.1	23.3

Source:- Handbook of statistics on Indian Economy (various issues) & Author's calculation

A. EXPORTS TO OECD COUNTRIES:-

Twenty countries originally signed the convention on the Organization for Economic Co-operation and Development (OECD) on 14 December 1960. Since then the fourteen countries have become the members of organization. Today, our 34 member countries span the globe, from North and South America to Europe and Asia Pacific region. They include many of the world's most advanced countries but also emerging countries like Mexico, Chile and Turkey. OECD region also work closely with emerging giants like China, India and Brazil and developing countries like Africa, Asia, Latin America and the Caribbean. In May 2007, OECD countries agreed to invite Chile, Estonia, Israel, Russia and Slovenia to open discussions for membership of the organization and offered enhanced engagement to Brazil, China, India, Indonesia and South Africa. The C.G.R of India's exports to OECD is found to be 11.1 percent in pre-reform period as well as in post- reform period. This implies that India's exports to OECD region have not shown an improved performance during post-reform period reflecting the general slowdown in demand in this region. The decline in exports may be on account of reduction in India's exports to EU, North America and Asia and Oceania within the group. The C.G.R of India's exports to EU is found to be 12.5 percent during pre-reform period but the exports to EU declined slightly during post-reform period mainly due to global factors such as the crisis in the euro-zone, sluggish demand in Western Europe and global crisis that began in Greece, quickly engulfed the entire euro region, reducing confidence in the European economy as a whole. The table (1.5) further shows that the C.G.R of India's exports to North America is found to be 15.2 percent during pre-reform period. But our exports to North America have shown a declining growth rate in post-reform period on account of fall in exports to United States of America (U.S.A.). India's exports to Asia and Oceania have also shown a sharp decline in post reform period mainly because of fall in exports to Japan within the region.

B. EXPORTS TO OPEC:-

India had relatively old trade connections with Organization of Petroleum Exporting Countries. In the 1950s, it was India's turn to be placed in a more advantageous position where it had more to offer to these countries than to buy them. The C.G.R of India's exports to OPEC is found to be only 0.6 percent during pre-reform period but it is found to be much greater (20.5 percent) during post-reform period. This implies that our trade with OPEC during post-reform era has improved substantially as its share in Indian exports has increased. Prevalence of high international crude oil prices and the consequent gains in terms of trade have increased the share of India's exports with OPEC region.

C. EXPORTS TO EASTERN EUROPE:-

The C.G.R of India's exports to Eastern Europe is found to be only 3.6 percent during pre-reform period but improved slightly during post-reform era and rose to 5 percent in post-reform period. This implies that India's exports to Eastern Europe witnessed a turnaround, during post reform period mainly due to the new institutional arrangements set up to improve the bilateral economic relations. In addition, the sharp increase in exports to Eastern Europe was associated with the repayment of technical credits as trade agreements which govern trade with countries drew to a close.

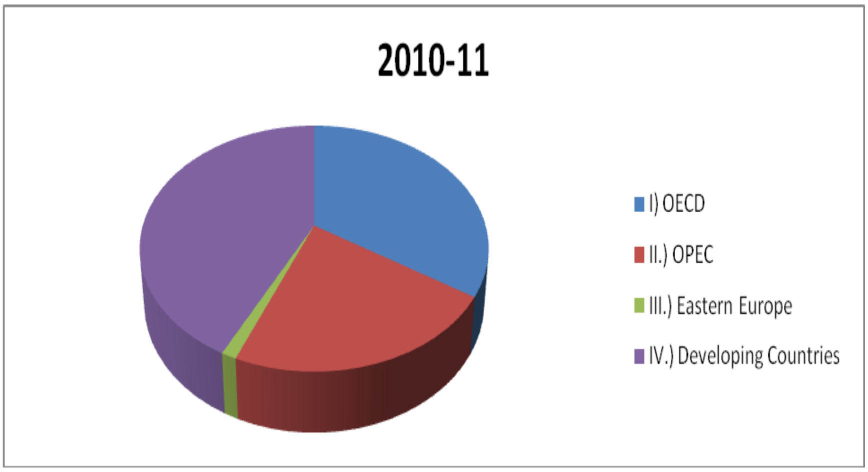
D. EXPORTS TO DEVELOPING COUNTRIES:-

The C.G.R of India's exports to developing countries is found to be 8.33 percent during pre-reform period. But exports to developing countries have shown a remarkable performance during post-reform period as C.G.R is found to be 18.29 percent. The rising share of developing countries in India's export basket in post-reform period indicates a directional shift in exports from North to South. The increase in exports to developing countries during post-reform period is mainly contributed by higher exports to Asia, Africa and Latin American countries. The exports to Asia have shown a remarkable improvement during post-reform period as compared to pre-reform period mainly because of following factors:-

- **a.** The growing economic prosperity in South-East Asia.
- **b.** Greater trade co-operation among Asian countries particularly South Asian countries.
- **c.** Recovery from the crisis by East Asian countries.
- **d.** The series of FTAs/CECAs signed by India with countries from Asia Region.
- **e.** India's "Look East Policy" and sustained efforts to develop strong relations with Asian countries.

The table (1.4) further reveals that the C.G.R of India's exports to Africa is found to be negative during pre-reform period but exports to Africa have shown a remarkable improvement during post reform period as C.G.R is found to be 19.48 percent. The sharp rise in India's exports to Africa during post-reform period may be due to the "Focus Africa" program me of Government. Table (1.4) further shows India's exports to Latin American countries increased slightly during post-reform period. With a view to enhancing our exports to Latin America Region, the Government has initiated a process for expansion of India-Chile Preferential Trade Agreement (PTA) and India-MERCOSUR (trade bloc of Brazil, Argentina, Paraguay and Uruguay) trade Agreement. In addition to this, the 'focus' program me launched by Government of India within a view to increase our trade with Latin America are in force for supporting and encouraging Indian exporters to explore new markets of this region.

FIG: 3 DIRECTION OF INDIA'S EXPORTS



VI. Conclusions & Policy Implications

India's exports performance improved significantly during the post-reform period and there has been a perceptible change in the value, composition and direction of India's exports. Though the volume and value of exports has increased manifold, India's share in the world exports is still not up-to the expectation. The share of manufactured goods as well as the proportion of high value and differential products, petroleum products has increased in India's export basket reflecting that Indian economy is being diversified and non-traditional items of exports are gaining importance. The most remarkable change in the direction of India's exports during post-reform era has been the increasing share of developing countries, OPEC, Latin America, Africa and Asia. It is expected that exports would grow at an average of 25 percent over the next few years. India's entry into new markets and robust performance in engineering goods, gems and jewellery and textile segments are the reason behind the growth spurt.

POLICY IMPLICATIONS:

The major policy implications emerging out of the present study are as follows:-

1. For India to become a leading exporter in the world trade it will have to achieve at-least 2 percent share of world exports by the year 2020. Based on the past trends in world trade and new developments in global economic scenario envisaged over the next few years, aggregate world exports are likely to cross 25,000 billion dollars by 2020. India’s exports should, therefore, exceed 500 billion dollars to accomplish this vision. However, there seems to be a controversy between economists and policy- makers. For one group of economists this target might appear to be too ambitious to achieve and one might dismiss it as an exercise in wishful thinking. We feel that this target can be achieved provided global environment in external trade becomes favorable.

2. Deepening of reforms into specific export sectors would stimulate India’s exports; result compositional and geographical diversification; help to remove supply bottlenecks operating in the economy and help in improving export competitiveness. More emphasis on rapidly increasing markets in the context of the behavior of price and income elasticity’s would positively affect the demand for export, and further would eliminate the negative market distribution and commodity composition effects.

3. The Government should make special efforts to increase the High Technology exports Such as aerospace, computers-office machine, scientific instruments, electrical machinery, pharmacy etc. as India’s performance on high tech manufacturing trade front is not at par with other leading exporters of high technology products.

4. India needs to reorient the pattern of its exports to switch to more skill-intensive and more knowledge-intensive goods and services of competitive international quality. Further, diversification of exports and the development of new export markets should be viewed as part of a wider effort to enlarge the country’s foreign trade and expand commercial and economic relations with other countries.

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ANNEXURE:-1 SHARE IN WORLD EXPORTS OF SELECTED COUNTRIES (1980-2011)

Country	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
China	0.9	1.1	1.2	1.2	1.4	1.4	1.5	1.6	1.7	1.8	1.8	2.0	2.2	2.4	2.8
Hong Kong	1.0	1.1	1.1	1.2	1.5	1.6	1.7	2.0	2.3	2.5	2.3	2.8	3.2	3.6	3.5
Malaysia	0.6	0.6	0.6	0.8	0.8	0.8	0.6	0.7	0.7	0.8	0.8	0.9	1.0	1.2	1.3
Indonesia	1.1	1.3	1.2	1.2	1.1	0.9	0.7	0.7	0.7	0.7	0.7	0.8	0.9	0.9	0.9
Singapore	1.0	1.0	1.1	1.2	1.3	1.2	1.1	1.2	1.4	1.5	1.5	1.6	1.7	1.9	2.2
Thailand	0.3	0.3	0.3	0.3	0.4	0.3	0.4	0.4	0.5	0.6	0.6	0.8	0.8	0.9	1.0
India	0.4	0.4	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5
Korea	0.9	1.1	1.2	1.4	1.5	1.6	1.7	2.0	2.2	2.1	1.9	2.0	2.0	2.2	2.2
Developing Countries	34.5	35.3	33.7	33.0	32.5	31.6	28.3	29.0	29.0	30.3	28.3	28.6	28.5	31.0	31.9
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Contd.

ANNEXURE:-1 SHARE IN WORLD EXPORTS OF SELECTED COUNTRIES (1980-2011) (II)

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
China	2.9	2.8	3.3	3.3	3.4	3.9	4.3	5.1	5.9	6.6	7.4	8.0	8.8	8.9	9.7	9.9	10.5
Hong Kong	3.4	3.3	3.4	3.2	3.0	3.1	3.1	3.1	3.0	2.9	2.8	2.6	2.5	2.3	2.6	2.7	2.7
Malaysia	1.4	1.4	1.4	1.3	1.4	1.5	1.4	1.5	1.3	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.2
Indonesia	0.8	0.9	0.9	0.9	0.8	1.0	0.9	0.9	0.8	0.8	0.8	0.9	0.8	0.9	1.0	1.0	1.1
Singapore	2.3	2.3	2.2	2.0	2.0	2.1	2.0	1.9	1.9	2.0	2.7	2.7	2.7	2.1	2.2	1.6	1.9
Thailand	1.1	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.2	1.2
India	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.8	0.5	1.0	1.0	1.2	1.2	1.5	1.7
Korea	2.4	2.4	2.4	2.4	2.5	2.6	2.5	2.5	2.6	2.8	2.2	2.3	2.2	2.6	2.9	3.0	3.0
Developing Countries	32.0	32.8	33.7	32.0	32.3	37.3	26.8	37.9	38.7	40.7	43.8	45.3	45.0	37.9	37.0	34.6	35.9
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source:- International Financial Statistics Yearbook (Various issues)