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India's Export Performance in the Liberalised Era

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Abstract

Economic development is a process which involves economic, social, political and cultural changes in a given society. Apart from bringing an increase in national income, it involves structural changes. Increase in national income can be achieved in different ways but the role of foreign trade cannot be entirely neglected. The role of exports in the development is most important issue. Exports is the foundation of economic growth. This paper gives an insight into the performance of India's exports both in traditional and non-traditional commodities which gives rise to growth effects. As export industries expand these stimulate investment in other areas also. It encourages activities in non-export industries in the form of increased productivity, production, income, investment and hence, rate of growth in these industries. There is fiscal linkage of exports in the form of tax revenue. 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 the world has increased the role of exports in the development efforts.

INTRODUCTION

Exports have assumed a place of paramount importance in the development process of the economy. Exports help in enlarging the size of the market extending the international division of labour and specialization and scale of production. It has been widely recognized that exports help in the development of underdeveloped countries (UDCs) by facilitating the selective borrowing of ideas, skills and technical know-how from the developing countries. It also benefits a country by fostering healthy competition to check inefficient monopolies, transmission for capital and providing marketing facilities to surplus products. Besides, it promotes industrialization, higher export earnings and foreign investments.The basic strategy of export promotion is import liberalization. The objective is to remove every possible obstacle to the production of goods for exports. The logic is that the liberal import of machinery and intermediate products would make production for exports less expensive and more profitable. By earning foreign exchange, exports play an important role in the development process of the country. Shortage of foreign exchange is considered a major constraint on rapid economic development of less developed countries. These countries, wishing to industrialize themselves, need large amount of foreign exchange for importing modern machinery and equipment and intermediate goods, etc. which are not available indigenously.

Export promotion strategy, apart from promoting economic growth, entails benefits to countries in the form of greater utilization of plant capacity, specialization in commodities of comparative advantage, increase in efficiency, economies of scale, training of higher quality labour and management. In fact, expansion of exports may well be described as an integral part of the development process. In the framework of planning and development effort, promotion of export industries and export trade has been considered of vital significance for financing the foreign exchange component of the plans. Most of the developing countries have adopted liberal trade policies under World Trade Organization (WTO), formerly General Agreement on Tariffs and Trade (GATT), International Monetary Fund (IMF) and World Bank (WB).

EXPORTS AS A TOOL OF ECONOMIC GROWTH

There is a causal relationship between exports and economic growth. Exports contribute to economic growth in three ways. An increase in exports implies an increase in GDP, other things being equal. Secondly, because of the interdependence of the various industries, export industries affect growth through their effect on other industries. This would mean capital formation, technical change and reallocation of resources. Thirdly, since exports are the source of foreign exchange, these also affect growth. Thus, the larger the gains from trade, the faster will be the process of economic development.

The process of economic growth is a process of structural transformation where countries move from producing "poor country goods" to "rich country goods". A precondition for this transformation is often the existence of an elastic demand for countries' exports in world markets so that countries are able to leverage global export markets without fearing negative terms of trade effect. Another source of foreign exchange is the inflow of foreign private capital. Initially, the inflow of foreign capital increases the foreign exchange resources, but remittances of profits and capital may cause loss in the foreign exchange balance.

REVIEW OF LITERATURE

A number of studies have been undertaken to analyse India's Export performance.

Kelker and Sharma (1976) examined India's export performance for the period 1961-74 in terms of macro-economic framework, pattern of direction of India's export trade. They examined that the share of India's export in the total world exports was going to be declined. The decline in the share as their study emphasized has to be explained in terms of demand or supply factors.

Cohen (1964) in his article, argued that the main reason of India's falling traditional exports was higher production cost. It made the relative prices of India's exports in world market on the higher side and was the sole cause of reduction in the demand of traditional goods. Due to the price factor the share of Indian traditional exports items was observed to be falling in the world market. According to him, the government has adopted ineffective measures for the promotion of exports.

Panchamukhi (1978) discussed India's overall trade and trade policies. In his study, he discussed the trade policies, namely, tariff-policies, import-licensing system, export-promotion measures, domestic industrial licensing system, etc. He was in favour of export subsidy as an instrument of transforming the economy from a preliminary stage of industrialization to more sophisticated structure of production and trade through the establishment of competitive production system for exports.

Rosario (1965) studied the structure of India's export trade during seventies. According to him, during this period, the world trade recorded a consistently high and stable rate of growth. The exports of primary products registered a remarkable rate of increase in comparison to manufactured goods. The exports of manufactured goods increased at a much lower rate than the primary products. The study revealed that the export trade in primary product group, there has been more diversification which helped in stabilizing exports at the beginning of the period.

Wadhwa 1971, in his paper analyzed India's export performance with special reference to government policies towards promotion of exports. In view of emerging opportunities for non-traditional export products in the world market, the study analyzed the need for formulating and implementing a new long-term strategy for India's exports at national level and recognized the linkages between external sector and domestic economy.

Myrdal (1968) did an in-depth study regarding the export developments in the countries of South East Asia. He believed that industrialization would be held back by shortages of foreign exchange due to poor prospects for exports. He was in favour of economic planning. From the 1960s to the mid-1980s India had one of the most controlled economies in the world. He gave the opinion that if better policies have been pursued earlier India could have had faster growth.

Wolf (1982) investigated India's exports in the 1970s. The World Bank has also continued its interest in India's export sector by preparing some restricted reports.

Tendulkar (2000) analyzed the growth of Indian export earnings. During 1980-96, growth of Indian export earnings turned out to be above the world average for all the broad categories of Extended-Manufacturing (E-Mfg) exports including double digit growth rates in labour and scale intensive products. India improved the share of E-Mfg significantly from 56 per cent (1980-86) to 71 per cent (1987-90) in total exports (all SITC codes) during the first period but only marginally further to 75 per cent during 1993-96.

Sharma and Dietrich (2004) explained that India's per centage share in world exports has been increasing. The result was a profound reassessment of economic strategy for growth and the role of state along with a realization of the need for institutional transformation. Economic realities have had a deep impact on the political economy of growth and the political economy of trade in India. Finally, the soundness of strategy at the firm and at the industry level determined trade performance.

Sathe and Deshpanda (2006) made an attempt to review the changes in the trends and composition of agricultural trade from 1990 till 2004. In their study, they revealed that the foreign trade sector was neglected in general and agri-trade sector in particular.

Nayyar and Sen (1994) discussed that the exports of agri-products were surplus in the economy. In 1991, the liberalization process got an impetus. In 1995, India signed the WTO and became a part of agreement on agriculture. Non-tariff barriers were converted into tariff barriers. There was also a large scale withdrawal of export incentive scheme.

RESEARCH METHODOLOGY

The period of the study is from 1990-91 to 2007-08. The study is based upon the secondary data. Data has been collected from Indian as well as international sources: Director General of Commercial Intelligence and Statistics (DGCIS), Reserve Bank of India, Export Promotion Councils and Commodity Boards, Cashew Export Promotion Council, Engineering Export Promotion Council, Tea Board of India, United Nations Conference on Trade and Development (UNCTAD), International Monetary

Fund (IMF), World Bank, Indian Institute of Foreign Trade (IIFT), Indian Council of World Affairs, Various Statistical Abstracts of Government of India, Government of India Economic Survey (various issues) Ministry of Finance, New Delhi.

TOOLS OF THE STUDY

Basically, trend growth rate has been used to find out growth in exports.

Trend Growth Rate : It has been worked out for a period on the basis of value for all the years. The exponential equation used is as under:

$$Y = a\, b^t \qquad \text{............ (1)}$$

$$\text{Where, } b = (1+g/100) \qquad \text{............ (2)}$$

Here, Y is the exports value, a and b are the constants to be estimated, t is the time period. Growth rate from equation (2) is : g = (b – 1) in per centage.

Test of Significance : t-test has been used to test the significance of growth rate.

$$t = r\sqrt{\frac{N-2}{1-r^2}}$$

Where, r is correlation coefficient, N is the number of observations and N – 2 gives the degree of freedom.

Degree of Concentration : The degree of concentration has been measured by Gini coefficient of concentration for export. It has been defined as :

$$Cx_t = 100\sqrt{\sum_{i=1}^{n}\left(\frac{X_{it}}{X_t}\right)^2}$$

Where, X_{it} is the value of exports of commodity i in year t and X_t is the total export earnings during year t.

DATA ANALYSIS

Table 1 presents the value of India's exports, imports and balance of trade from 1990-91 to 2007-08. The growth rate of exports (per centage change over the previous year) was 35.29 per cent in 1991-92, the growth rate of exports in 2006-07 was 25.27 per cent and in 2007-08 was 14.70 per cent, whereas the growth rate of imports increased to 27.27 per cent in 2006-07 from 10.77 per cent in 1991-92. The table also brings out that India's exports have shown a slothful tendency and imports have surpassed them, its result was unfavourable balance of trade, which increased to Rs. 233711 crore in 2007-08 from Rs. 10645 crore in 1990-91. Except these particular years, namely, 1990-91, 1992-93, 1999-2000 and 2001-02, growth rate of imports is more than exports. From 1990-91 to 2007-08, India faced an unfavourable balance of trade.

Table 1
Trends in India's Trade : 1990-91 to 2007-08

(Rs. in Crore)

Years	Exports	Growth Rate*	Imports	Growth Rate*	Balance of Trade	Export as % of Imports
1990-91	32553	-	43198	-	-10645	75.35
1991-92	44041	35.29	47851	10.77	-3810	92.04
1992-93	53688	21.90	63375	32.44	-9687	84.71
1993-94	69751	29.92	73101	15.34	-3550	95.42
1994-95	82674	18.52	89971	23.07	-7297	91.88
1995-96	106353	28.64	122678	36.35	-16325	86.69
1996-97	118817	11.71	138920	13.23	-20103	85.52
1997-98	130100	9.49	154176	10.98	-24076	84.38
1998-99	139752	7.41	178332	15.66	-38580	78.36
1999-00	159561	14.17	215236	20.69	-55675	74.13
2000-01	203571	27.58	230873	7.26	-27302	88.17
2001-02	209018	2.67	245200	6.20	-36182	85.24
2002-03	255137	22.06	297206	21.20	-42069	85.84
2003-04	293367	14.98	359108	20.82	-65741	81.69
2004-05	375340	27.94	501065	39.53	-125725	74.90
2005-06	456418	21.60	660409	31.80	-203991	69.11
2006-07	571779	25.27	840506	27.27	-268727	68.03
2007-08	655864	14.70	682088	-18.85	-233711	96.16

Source : Government of India, Economic Survey, Various issues, New Delhi.
Note : *Growth rate is the per centage change over the previous year.

Thus, India's balance of trade had been low in 1992-93, 1994-95 and 1995-96 and highly unfavourable since 2000-01, 2003-04, and 2004-05. The ratio of exports to imports has been on the rising from 1990-91 to 2003-04 but after that the ratio of exports to imports has been on the decline. There had been 75.35 per cent of imports in 1990-91, the highest per cent was 95.42 in 1993-94 and it was 85.84 per cent in 2002-03. After that it had a declining trend. It was 68.03 per cent in 2006-07 and it was 96.16 per cent in 2007-08. The study analyzed the problem of inverse balance of trade, the role of exports in India's economic development and the nature of export performance of India in the entire study period. The table further shows that exports have shown a decreasing trend, while imports are showing an increasing trend. It helps to avoid foreign exchange crisis. Reduction in imports is also against the development process of developing countries.

Criterion for the Export Performance

For the purpose of empirical analysis for India's export performance, the following criterion has been adopted :

- Measurement through India's Share of Exports in World Exports.
- India's Share in World Exports of Principal Commodities.
- Trends in the value of India's Exports.
- Commodity Concentration of India's Major Exports.

Table 2 reveals that India's share of exports in world trade has shown an increasing trend. Since independence, India enjoyed the fruits of its self-reliant economy and inward-looking. This implied establishment of barriers on overall foreign trade. However, overall foreign trade did not show high growth in the initial period, and as a result, India faced problems in maintaining its share in the world's foreign trade. In 1950, India's share in total foreign trade of the world was 1.76 per cent, and it came down to 0.53 and 0.60 per cent in 1990 and 1995 respectively; but in 2002, 2003 and 2004, it was 0.78, 0.79 and 0.84 per cent respectively which shows an improvement in aftermath of the adoption of the globalization policy. By the late 1980s and early 1990s, India had passed through serious economic crisis, which disrupted the backbone of its economy and caused high inflation and also a shortage of foreign exchange reserves. In 2005, 2006 and 2007, India's share in world exports rose to 0.95, 1.00 and 1.05 per cent respectively.

The main cause of slow rate of India's exports was that these were still concentrated on some commodities, the world demand for which was growing very slowly. This is evident from Table 3. Although world trade grew at a steady rate, India's share in world exports declined continuously during the study period. In traditional commodities like tea and mate occupied first place in world exports in 1990 and 2000.The share of tea and mate in world exports was diclining 22.1, 14.0 and 9.1 per cent in 1990, 2000 and 2006 respectively, thus, showing a trend. The share of rice in world exports recorded an increasing trend. Cereals and cereals preparation also showed an increasing trend from 0.6 per cent in 1990 to 2.2 per cent in 2006. The traditional export categories of iron ore and concentrates revealed a declining trend from 1990 to 2000, after that it showed an increasing trend in 2006. Spices recorded an increasing trend from 1990-2006. Tobacco manufactures captured 0.8, 0.7 and 1.0 per cent share in 1990, 2000 and 2006 respectively. The share of leather

Table 2
India's Share of Exports in World Exports

(U.S. Million Dollar)

Year	World Exports	India's Exports	India's Export as a % of World Exports
1990	3376.6	17.9	0.53
1991	3477.5	17.6	0.51
1992	3731.4	19.5	0.52
1993	3767.7	21.6	0.57
1994	4289.9	25.0	0.58
1995	5130.3	30.6	0.60
1996	5169.2	33.1	0.64
1997	5539.1	35.0	0.63
1998	5454.5	33.4	0.61
1999	5648.6	35.7	0.63
2000	6373.0	42.4	0.67
2001	6140.1	43.4	0.71
2002	6434.1	50.4	0.78
2003	4783.8	59.0	0.79
2004	9107.0	76.6	0.84
2005	10460.8	99.6	0.95
2006	12139.0	120.9	0.10
2007	13842.4	145.4	1.05

Source : International Monetary Fund, International Financial Statistics, Washington, D. C. Yearbook 2007.

manufactures firstly fell down in 2000 and after that it rose in 2006. Another important non-traditional export category was observed to be pearls, precious and semi-precious stones with its 9.8 per cent share in world export in 1990, 12 per cent in 2000 and 11.9 per cent in 2006 as well as its ranking in world export was recorded as 2nd in 1990 as well as 2000 and 3rd in 2006. Therefore, this export category emerged significant in world exports. From 1990 to 2006, the share of tea and mate along with medicinal and pharmaceutical products fell down during the entire period. Leather; tobacco and tobacco manufactures firstly fell down in 2000 then enhanced

Table 3

India's Share in World Exports of Principal Commodities

(In U.S. Million dollars)

Commodities	1990				2000				2006			
	World	India	India's Share		World	India	India's Share		World	India	India's Share	
			%	Rank			%	Rank			%	Rank
Meat and meat preparations	34118	77	0.2	18	44690	324	0.7	17	79034	731	0.9	17
Fish and molluscs & preparations	32847	521	1.6	11	50875	1391	2.7	9	79032	1756	2.2	11
Cereals and cereal preparations	45314	285	0.6	15	53575	783	1.5	12	81063	1816	2.2	11
Rice	3995	254	6.4	5	6411	654	10.2	4	11097	1552	14.0	1
Tea and mate	2650	585	22.1	1	3087	431	14.0	1	4767	435	9.1	5
Spices	1415	109	7.7	3	2541	261	10.3	3	3562	468	13.1	2
Feeding stuff for animals	15603	336	2.2	9	20295	469	2.3	10	32946	1240	3.8	8
Tobacco and tobacco manufactures	17860	145	0.8	14	21628	147	0.7	17	26501	276	1.0	16
Iron ore and concentrates	7653	578	7.6	4	9229	363	3.9	5	32815	3895	11.9	3
Dyeing, tanning and colouring materials	19952	233	1.2	12	34105	481	1.4	13	56038	1001	1.8	14
Medicinal and pharmaceutical products	37753	453	1.2	12	107482	1255	1.2	14	75380	689	0.9	17
Leather	9295	447	4.8	6	16551	388	2.3	10	22426	722	3.2	9
Textile yarn, fabrics, made-up fabrics	105147	2180	2.1	10	167528	6000	3.6	7	228615	8931	3.9	7
Woven fabrics other than cotton	8466	195	2.3	7	9432	370	3.9	5	11469	479	4.2	6
Pearls, precious and semi-precious stones	27577	2710	9.8	2	54105	6477	12.0	2	91284	10841	11.9	3
Iron and steel	106342	283	0.3	17	146147	1481	1.0	15	369711	7068	1.9	13
Manufactures of metals	66088	341	0.5	16	125259	1167	0.9	16	253065	3154	1.2	15
Articles of apparel and cotton accessories	94577	2211	2.3	7	201379	7093	3.5	8	320299	9420	2.9	10

Source : Government of India, Economic Survey, Various issues, New Delhi.

in 2006. Rice; fish and fish preparations; meat and meat preparations; textile, yarn, fabrics; feeding stuff for animals; dyeing, tanning and colouring materials; iron ore and concentrates; articles of apparel and cotton accessories; iron and steel; woven fabrics other than cotton and manufactures of metals had grown up in the entire period. Thus, this study analyses that India's traditional commodities did not perform well. The share of traditional commodities fell down. The reason for this is the high domestic cost which lead to the reduced competitiveness of India's exports in world trade.

Table 4 shows the trends of major exports in terms of value, share, ranking and growth during the period 1990-91 to 2007-08. The per centage share of traditional commodities fell down during the period 1990-91 to 2007-08. The percentage share of rice went up from 1.41 per cent in the year 1990-91 to 1.79 per cent in 2007-08. The percentage share of spices, fish and fish preparations was 0.73 and 2.94 respectively. In contrast, the share of non-traditional export categories like gems and jewellery, chemical and allied products, leather products, machinery, transport and metal manufactures went up during the period 1990-91 to 2007-08. The share of non-traditional export commodities in handicraft, readymade garments fell down during the period 1990-91 to 2007-08. However, overall foreign trade, in particular of these commodities did not show any positive growth during the entire period, and, as a result, India faced problems in maintaining its share in the world's foreign trade and it came down during the years 1990 to 2008. During the decade 1990 to 2000, the ranking of traditional commodities underwent a change like tea which was at eighth place in 1990-91, occupied eleventh place in 1999-00 and fourteenth place in 2007-08. Rice was at twelfth place in 1990-91 and occupied eighth place in 2007-08. Oilcake placed eleventh place in 1990-91 and ninth place in 2007-08. On the other side, the non-traditional commodities showed excellent changes in their ranking. Machinery, transport and metal manufactures placed fourth position in 1990-91 and occupied first place in 2007-08. Chemical and allied products were at the sixth place in 1990-91 and these got third rank in 2007-08. Handicrafts presented a negative slope from 1990-91 to 2007-08. The trend growth rates of value of different export categories also showed the importance of traditional and non-traditional exports during the period 1990-91 to 1999-00, 2000-01 to 2007-08 and overall 1990-91 to 2007-08. The traditional commodities recorded a negative growth during 1990-91 to 2007-08. In 1990s, cotton fabrics, readymade garments, gems and jewellery, chemical and allied products, machinery transport and metal manufactures, cashew kernels, spices, fish and fish preparations had significant level of growth. In 2000s, iron ore, chemical and allied products, machinery, transport and metal manufactures, oil cake and gems and jewelers had significant level of growth. During the period 1990-91 to 2007-08

Table 4

Trends in the Value of India's Exports 1990-91 to 2007-08

Sr. No. Commodity	1990-91			2000-01			2007-08			Growth Rate		
	Value (Rs. crore)	Share %	Rank	Value (Rs. crore)	Share %	Rank	Value (Rs. crore)	Share %	Rank	1990-91 1999-00	2000-01 2007-08	1990-91 2007-08
Oil Cake	609	1.87	11	1603	1.01	13	8141	1.24	9	4.77	15.65*	4.28
Rice	462	1.41	12	3105	1.91	9	11751	1.79	8	20.48	11.11	10.05
Fish and Fish Preparation	960	2.94	10	5141	3.14	7	6927	1.06	10	10.81*	-3.68	5.24
Iron	1049	3.22	9	1151	0.72	14	23400	3.57	5	-4.02	41.70**	13.14
Cotton Fabrics	2100	6.45	7	13388	8.22	5	18721	2.85	6	14.38**	-3.21	6.28
Readymade Garments	4012	12.32	3	20649	12.67	3	39002	5.95	4	10.65**	1.45	7.86*
Leather Manufacture (inc. footwear)	2600	7.98	5	6890	4.23	6	13674	2.08	7	4.18	0.74	4.12*
Handicraft	6167	18.94	1	5058	3.10	8	5769	0.88	11	12.47	-3.57	-10.33
Gems and Jewellery	5747	16.17	2	32716	20.08	1	79228	12.08	2	12.10**	7.21*	10.59**
Chemical and Allied Products	2111	6.48	6	17389	10.67	4	69868	10.65	3	16.10**	12.46**	14.70**
Machinery Transport & metal manufactures	3872	11.90	4	22251	13.16	2	149799	22.84	1	12.20**	19.36**	15.62**
Cashew Kernels	447	1.37	13	2461	1.51	10	2235	0.34	13	8.43**	-1.43	3.18
Spices	239	0.73	14	1767	1.08	12	4204	0.64	12	16.32**	7.36	8.47
Tea	1070	3.28	8	1785	1.09	11	2034	0.31	14	0.28	-5.22	-1.14
Total	**32553**	**100**	**14**	**162925**	**100**	**14**	**655864**	**100**	**14**	**10.82****	**12.43****	**11.61****

Source : (Annexure 1) DGCIS, Calcutta.

Notes : All growth rates are semi-logarithmic least square trends. *Statistically significant at 5 per cent level. **Statistically significant at 1 per cent level.

chemical and allied products, machinery, transport and metal manufactures and gems and jewellery, readymade garments and leather manufactures (including foot wear) had significant level of growth. In 1990s, only iron ore recorded negative growth rate. In 2000s, fish and fish preparations, cotton fabrics, handicraft, cashew kernels and tea had negative growth rate. From 1990-91 to 2007-08 handicraft and tea had negative growth rate. In 1990s spice (16.32%) had the highest rate of growth. In 2000, iron ore had highest rate of growth. Overall during the period 1990-91 to 2007-08 machinery transport and metal manufactures (15.62%) had the highest rate of growth. Almost all the non-traditional export commodities had a positive rate of growth, while traditional export commodities had become stagnant. The overall growth rate

Table 5

Commodity Concentration of India's Major Exports

Year	Exports (Cx)
1990-91	33.82
1991-92	32.88
1992-93	34.89
1993-94	35.82
1994-95	34.35
1995-96	34.37
1996-97	33.85
1997-98	28.84
1998-99	30.11
1999-00	31.18
2000-01	30.04
2001-02	29.23
2002-03	29.93
2003-04	30.56
2004-05	30.89
2005-06	29.93
2006-07	30.09
2007-08	29.13
Trend value	-0.33

Source : (Annexure 1); DGCIS, Calcutta of total export commodities was 10.82, 12.43 and 11.61 in 1990s, 2000s and 1990-91 to 2007-08 respectively.

The degree of concentration is measured by Ginni's coefficient of concentration. The coefficient of commodity concentration for exports is shown in Table 5. The table reveals that the commodity concentration index for exports has shown a fluctuating trend during the period 1990-91 to 2007-08. The trend value is negative and insignificant. It indicates that India's exports are concentrated to only few commodities.

India's overall growth rate remained same during the study period 1990-91 to 2007-08. Oil cake, gems and jewellery, chemical and allied products, machinery, transport and metal manufactures have almost stabilizing growth rate, at a significant level. Tea and handicraft has an insignificant role in our exports. Moreover, the study reveals that the importance of traditional commodity is going to decline because its share in world exports has been falling since 1990s. Due to the development strategy the share of non-traditional commodities has raised from 1990s.The non-traditional commodities are the main factors in promoting the economic growth for the Indian economy.

SUMMARY AND CONCLUSION

Exports help in enlarging the size of the market extending the international division of labour and specialization and scale of production. Indian economy is a developing economy and is moving rapidly towards the target of higher rate of growth. There is a need to exploit export potential, having the limitation of an inward looking industrialization. Many developing countries have changed their emphasis towards outward-oriented policy and seeking measures that would promote industrialization. Although non-traditional items (gems and jewellery, readymade garments, engineering goods and chemicals) have entered into India's exports in a big way, yet traditional items of exports, viz. marine products, tea, coffee, spices occupy a dominant place in our export basket. These items have been the backbone of India's export efforts for long. One of the major problems faced by the developing countries like India is a constant fall in their export earnings. The main cause of it is that these developing countries have too much dependence on imports of intermediate and final goods for the developmental needs. The logic is that the liberal import of machinery and intermediate products would make production for exports less expensive and more profitable. The basic principle of imports for industrial development and exports has to be modified, for the development of the Indian economy. With slow expansion of exports, the problem of chronic deficit in their balance of payments is assuming alarming proportions and pushed into a 'debt trap'.

The trend growth rates of various export categories indicate the comparative importance of traditional and non-traditional exports during the entire period of study. The importance of non-traditional commodities was more than traditional commodities. The per centage share of traditional commodities fell down from 1990-91 to 2007-08. The value and composition of India's exports have changed. In contrast, the share of non-traditional export categories gems and jewellery, chemical and allied products, leather products, machinery transport and metal manufactures went up from1990-91to 2007-08.The share of non-traditional export commodities in handicraft, readymade garments fell down during the study period 1990-91 to 2007-08. However, overall foreign trade, in particular of these commodities did not show any positive growth during the entire period, and, as a result, India faced problems in maintaining its share in the world's foreign trade and it came down duirng the years 1990 to 2008. Almost all the non-traditional export commodities have a positive rate of growth and traditional export commodities have become stagnant.

The export substitution strategy is considered better because the domestic resources cost of earning a unit of foreign exchange tends to be less than that of saving a unit of foreign exchange. Exports substitution encourages foreign investment. However, the strategy of export substitution has also been challenged on the ground that it provides undue bargaining power in favour of foreign enterprises. In view of liberalization and globalization of Indian economy, it must be realized that reduction in trade deficit is to be brought only through increase in exports. Export-led growth strategy has to be followed and exports have to be made national effort. Therefore, an integrated long-term national export policy has to be formulated in production, investment and export activities in international markets.

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(Annexure 1)

Trends in the Value of India's Exports, 1990-91 to 2007-08

(Rs. Crore)

Commodities	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Oil Cake	609	922	1545	2324	1798	2349	3495	3435	1942	1603	2045	2263	1847	3348	3178	4875	5504	8141
Rice	462	756	976	1287	1206	4568	3172	3371	6281	3105	2947	3174	5832	4708	6769	6221	7036	11751
Fish and Fish Preparation	960	1443	1743	2552	3537	3381	4008	4487	4369	5114	6367	5897	6928	6106	6469	7036	8001	6927
Iron	1049	1435	1104	1374	1297	1721	1706	1770	1615	1151	1634	2034	4200	5173	14726	16829	17656	23400
Cotton Fabrics	2100	3204	3911	4821	7014	8619	11082	12132	11661	13388	16030	14655	16217	15600	15502	17456	19089	18721
Readymade Garments	4012	5427	6931	8112	10305	12295	13324	14405	18364	20649	25478	23877	27536	28634	29482	37952	40238	39002
Leather Manufacture(inc. footwear)	2600	3128	3700	4077	5057	5790	5609	6061	6847	6890	8914	9110	8944	9938	10881	11915	13651	13674
Handicraft	6167	8349	10957	14955	16730	20501	20110	3480	4950	5058	5097	4406	5742	4807	4428	5683	6049	5769
Gems and Jewelers	5747	6150	8896	12533	14131	17644	16872	19867	24945	32716	33734	34845	43701	48586	61834	68752	72295	79228
Chemical and Allied Products	2111	3902	3991	5688	7642	9849	11463	13692	14211	17389	22851	22339	28456	34915	45704	52839	64307	69868
Machinery Transport & metal manufactures	3872	5502	7118	9484	10947	14578	17431	19528	18479	22251	31870	33093	43474	56615	77613	94369	133166	149799
Cashew Kernels	447	676	749	1048	1247	1237	1288	1407	1627	2461	1883	1652	2053	1700	2489	2594	2506	2235
Spices	239	394	393	569	612	794	1202	1410	1633	1767	1619	1497	1655	1544	1883	2116	3158	4204
Tea	1070	1212	977	1059	975	1171	1031	1876	2265	1785	1976	1719	1652	1637	1840	1589	1970	2034
Total	32553	44042	53688	69751	82674	106353	118817	130101	141604	159561	203571	209018	255137	293367	375340	456418	571779	655864

Source : DGCIS, Calcutta.