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## INDIA'S FOREIGN TRADE AND ITS TREND AND PATTERN (PRE- AND POST LIBERALISATION ERA)

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### ABSTRACT

The study is about analysis the pre and post liberalisation period of India's foreign trade how it's trend behave during the period 1973-91 as pre liberalisation and 1992-2011 as post liberalisation the study also contain the major export market, share of India's export in world market, the oil and nonoil exports and imports it also analysis both traditional and non traditional commodities and finally the movements of balance of payment

### Introduction:

India has been important trading nation since ancient times. The British controlled our export and import to support their colonial interests. There was export surplus in the country. India's foreign trade has shown rapid change since the independence. India contributed to the international trade during 16th century was above 20 percent, but during the British period the contribution of India's trade declined. After the independence as new independent country, India was suspicious about the international finance and trade. Then government followed the import – substitution policy which was favourable for the Indian's industrial development, the balance of payment crisis paved the way for the opening of our country the export oriented strategy was favoured for the industrial growth and development. The India's export growth can broader divided between pre reform period (1950-90) broadly followed import substitution which lead to growth of domestication of the capital, but later from 1990 during due to the balance of payment crisis lead to open of economy. The government policy change in favour of export substitution policy (Veeramani 2007). India's export earnings, net receipt through private foreign remittances, import spending are highly volatile since shocks have their permanent effects (Prabirjitsarkar 2005), however the pace of India's export growth has high during the post reform period (Veeramani 2007).

### 1. Trade performance in India

India followed the inward foreign trade policy with the aim of industrialization India followed the progressive substitution of import manufactures by domestic manufactures. Developing countries follow this strategy as for saving foreign exchange and shyness for foreign capital. Developing countries generally follow import substitution policy (AjitGhose 2011). During period from 1990-91 India policy changed in favor of export substitution which was due the balance of payment crisis in India (little and Joshi 1994).



**Table 1.1 India's foreign trade in Rupees (Us dollar)**

Year	Export	Import	Trade balance
1971-72	2151	2441	-290
1980-81	8484	15866	-7382
1990-91	18145	24072	-5927
2000-01	44560	50536	-5916
2001-02	43827	51413	-7586
2002-03	52719	61412	-8692
2003-04	63843	78149	-14306
2004-05	83536	111517	-27981
2005-06	103090	149165	-46075
2006-07	126414	185735	-59321
2007-08	162904	251439	-88535
2008-09	185295	303696.3	-118401
2009-10	178662	286822	-108160
2010-11	251136	369769	-118632
2011-12	304623	4894174	-184793

RBI Handbook on Indian economy 2009-10, 2011-12.

**a) The change in the export from 1971-72 to 1980-81.**

There was decline in India export since late 1950s, There was devaluation of currency in 1966s due to the foreign exchange constraints. The world demand was growing and export was relatively faster in 1960s and our domestic policy was favourable for the export. In their was Depreciation of real effective exchange rate (REER) and domestic policy was relative liberal to import policy and there was provision for the export subsidy. Despite of favour policy during the period from 1971 to 1981 the export was decline (Veermani 2007, Little and Joshi 1994). In 1973 there was oil shock which affected the world demand. The India's export showed the deceleration. There was negative growth of export -2.94 during the period.

**2) Change in Period from 1982-83 to 1990-91.**

There has been showed a declining in the value of export after the 1971, however during the late 80s the world economy improved and showed some improvement in export.

There was excessive protectionist policy followed the Govt. Abid Husain committee on import and export policies (1985-1988) showed the more liberal excess to the imports by the exporters. (Uma Kapila 2009). There export showed improvement and moved in a healthy pace.



### 3) Change in export during the period from 1991 to 2001

During 1990 the export improved remarkably, after the balance of payment crisis in 1990-91, when were foreign reserves fallen short of payment for the two weeks imports (Little and Joshi 1994). There was devaluation of the rupee, the government of India liberalized the import licensing, reduced the tariffs and various liberalization measures for opening up the economy. During the 1993-97, India's export recorded the growth.

### 4) Change in export during the period from 2002-2012

India share in the world export has grow percent from 0.56 percent in the year 1991 to 1.52 percent in the year 2009 .But any way India's export performance was also not have a significant impact on world export market .china, south Korea and Taiwan has performed well in their export sector when compared with India's export sector. (Shameekmukherjee and Shahanamukherjee overview of India's export performance: trends and drivers working paper no 363 IIMB April 2012)

## 2) The share of oil and non-oil in India's export and import

**Table(1.2) The share of oil and non-oil in India's export and import**

Year	share in Oil export	% Share in Non Oil	growth rate of export	% share in oil	% share in Non oil	growth rate of imports
1971-72	0.65	99.34	Nil	Nil	#VALUE!	nil
1972-73	1.46	98.55	0.73	198.11	13321.05	13408.33
1973-74	0.48	99.50	0.80	60.38	12392.30	12573.46
1974-75	0.41	99.57	0.69	59.31	14393.10	14464.58
1975-76	0.46	99.54	9.81	4.75	1014.69	1019.06
1976-77	0.36	99.63	18.85	1.92	528.42	530.82
1977-78	0.29	99.71	9.05	3.21	1101.75	1105.80
1978-79	0.24	99.75	9.51	2.59	1048.79	1051.79
1979-80	0.29	99.71	12.18	2.41	818.11	820.11
1980-81	0.37	99.63	6.57	5.64	1514.87	1519.28
1981-82	2.83	97.17	2.51	112.46	3861.64	3875.80
1982-83	14.03	85.96	4.43	316.33	1937.87	1994.24
1983-84	16.24	83.74	3.61	448.83	2313.74	2691.43
1984-85	15.47	84.51	4.34	356.41	1945.92	2323.64
1985-86	5.91	94.08	-10.94	-54.10	-860.06	-1017.69
1986-87	3.29	96.69	8.62	38.21	1121.66	1192.23
1987-88	4.13	95.86	19.39	21.33	494.36	511.26
1988-89	2.49	97.50	13.47	18.49	723.75	754.97
1989-90	2.51	97.48	15.90	15.82	612.94	628.64
1990-91	2.87	97.11	8.44	34.05	1149.51	1179.18
1991-92	2.31	97.67	-1.56	-147.85	-6232.14	-6417.11
1992-93	2.56	97.43	3.62	70.83	2687.64	2751.56
1993-94	1.78	98.21	16.64	10.72	590.11	605.66
1994-95	1.57	98.41	15.54	10.16	633.25	644.80
1995-96	1.42	98.57	17.18	8.29	573.59	582.82



Year	share in Oil export	% Share in Non Oil	growth rate of export	% share in oil	% share in Non oil	growth rate of imports
1996-97	1.43	98.56	5.00	28.71	1969.37	1997.83
1997-98	1.00	98.99	4.39	22.90	2254.58	2287.53
1998-99	0.26	99.73	-5.38	-4.97	-1852.85	-1871.73
1999-00	0.10	99.89	9.78	1.05	1020.61	1023.35
2000-01	4.19	95.80	17.36	24.15	551.69	552.27
2001-02	4.83	95.16	-1.67	-288.69	-5682.16	-5931.07
2002-03	4.88	95.11	16.86	28.96	563.83	592.48
2003-04	4.02	94.41	17.42	23.08	541.88	569.73
2004-05	8.36	91.63	23.57	35.48	388.69	411.70
2005-06	11.29	88.70	18.96	59.51	467.65	510.35
2006-07	14.74	8.527	18.45	79.89	46.21	52.09
2007-08	17.41	82.59	22.4	77.72	368.70	4324.11
2008-09	14.86	85.13	12.08	123.02	704.51	853.03
2009-10	15.74	84.25	-3.71	-424.10	-2269.42	-2665.73
2010-11	16.51	83.43	28.85	57.23	289.28	343.34
2011-12	18.25	81.77	17.55	103.95	465.57	557.68

Source: RBI Hand Book on Indian economy 2009-10, 2011-12

The developing and emerging economy petroleum and oil product plays an important role in development and growth of the development. In the labour abundant country like oil plays important role in development of various sectors. Oil is still a scare resource for the country. In the capital scare country oil import can play affect our foreign exchange .Oil shocks diverted the economy to more vuneralable position.

### Export growth and share in world exports: India and other select countries

**Table 1.3 export growth and world share in exports.**

Country	Value (US Dollar)	Share in world Exports (%)			Change in Shares 2010/2000
		2000	2009	2010	
China	1578	3.9	9.7	10.5	6.5
Korea	466	2.7	2.9	3.1	0.4
Hong Kong	390	3.2	2.6	2.6	-0.6
Russia	400	1.7	2.5	2.7	1
Singapore	352	2.2	2.2	2.3	0.2
mexico	298	2.6	1.9	2	-0.6
Taiwan	275	2.3	1.6	1.8	-0.5
India	223	0.7	1.3	1.5	0.8
malaysia	199	1.5	1.3	1.3	-0.2
Brazil	202	0.9	1.2	1.3	0.5
Thailand	195	1.1	1.2	1.3	0.2
Indonesia	158	1	1	1	0
South Africa	82	0.5	0.5	0.5	0.1
EDEs	5894	25.4	37.1	39.1	13.6
world	15087	100	100	100	-

Economy survey 2012 extracted from IMF statistics.



The share of China in export outstanding .The share of china in the world trade has increased from 3.9% to 10.5%, the growth in triple time more than in the share of world exports. India is growth has been increased from 0.7% to 1.5%, the growth has slightly increased. China trade has increased many times more than India.China and India were only Asian countries which strengthened their position in world imports during this period.(Gaulier,Lemome and Kesevee 2007).The Asia has remerging in the manufacturing sector in the world trade. There has been shifting in the export of commodity to the much reliance on manufactures and services and their has also shift in favour of developing countries(Will Martin 2001).The most Asian countries like korea ,Malaysia,Thailand ,Indonesia ,emerging developing economy. The trade shown a positive sign of growth. This show strengthening of developing economies in the share of world .These countries shifting in favour of manufacturing and services, However countries like Hong Kong, Mexico, Taiwan, Malaysia has shown a negative growth from 2000 to 2010.

### Relations between GDP and Export and import share in India

There has direct linkage between the GDP an export .The theoretical it is well stated when GDP grows the trade also grows. To study whether share of GDP and export move in the same direction or inverse and also whether share of GDP and import move together or not.

### The selected commodities in export since 2000s

The India's pattern of industrial development has gradually transformed from a predominately primary products export country to manufacturing export country.Rostow stage of growth states that economy the from agrarian economy to industrial export country.

#### The share of the selected commodities of trade

Commodity	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Primary Products	7126.2 (15.3)	7163.6	8706.1	9902	13553	16377	19686	27552	25335	26397	32845	45574
agricultural and allied	5973.2	5901.2	6710	7533	8474.7	10214	12683	18432	17535	17734	24208	24208
2) Ores and Minerals	1153	1262.4	1996	2369	5078.6	6164	7003	9120	7801	8662.5	8637.1	8153.3
ii)Manufactured goods	34335	33369	40244	48492	60730	72562	84920	10298	12318	115180	157993	186784
A)Leather & Manufactures	1944	1910	1848	2163	2421	2697	3016	3502	3556	3361	3910	4788
B) Chemical & Related products	5885.9	6051	7455	9445	12443	14769	17335	21193	22708	22908	28871	37190
C) Engineering	6818	6957	9033	12405	17348	21718	29567	37365	47285	38271	58137	67093
D) Textiles& Textile	11285	10206	11617	12791	13555	16402	17373	19425	20016	19853	24225	27998



Commodity	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
products												
E) Gems & Jewellery	7384	7306	9029	10573	13761	15529	15977	19678	27955	28996	40476	46900
F) Handicrafts	661	549	785	500	377	462	438	508	301	224	256	233
G) Other Manufactured Goods	356	388	475	613	822	983	1213	1304	1326	1565	2116	2580
iii) Petroleum Products	1870	2120	2576	3568	6989	11640	18634	28363	27547	28192	41480	55603
iv) Others (all commodities)	1230	1174	1192	1880	2262	2510	3173	4010	9263	8982	18817	16661
Total Exports	44560	43826	52719	63842	83535	103090	126414	162904	185295	178751	251136	304623

Since independence, the India remained an export country primary focusing on the export of agricultural and allied commodities particular tea, coffee, rice, wheat, tobacco, cashew etc and other primary commodities such as iron ores, mica and other ores. Our trade was emphasizing export oriented commodity which was for getting forex reserves for the early stage of industrial development (Uma Kapila, 2009). India's export of principal commodities from 1970-71 to 1980-81 for all principal commodities increased was quite broad based. In manufacturing goods including iron and steel, machinery and transport equipment. In fact engineering goods emerged as country leading export item. There was increase in textiles, leather manufacturing (PuspaTarafdar 2006). After 1991 liberalization there was increasing in market economy it has increased the demand for non-traditional items of exports (Gems and Jewellery, ready made garments, engineering and chemical) has increased substantially but traditional items of exports, viz marine products, tea, coffee, spices etc still have important role (MM Survey 2011). Since 2000s in our trade the share of primary commodities particularly ores and minerals and agricultural goods is 2% and 15% percent respectively while the share of the manufacturing sector is 77%. Our manufacturing sector consist of leathers, chemical, engineering and textiles. Petroleum important commodity for the industrial development. Emerging economies like India share of the petrol and other products essential for the industrial development.

The Period from 2000 to 2005, the share of primary commodities consisting both agricultural and ores and minerals, the share of the primary products more or less remained constant around 15.99% in 2000, 16 % in 2005, share of agricultural product declined from 13% in 2000 and 10 % in 2005. Surprisingly the ore and minerals from 2.5% in 2000 to 6% in 2005. The manufacturing sector which consists of leather, textile, chemical and engineering etc showed a decline from 77% to 72% in 2005. Leather, textiles and handicrafts have shown marginally decline while the chemical, engineering, gems and jewellery, and other manufacturing has shown an upward movement. Non-oil producing countries like India face various



constraints for the growth of trade. In India surprisingly petroleum products is exported to other countries which was 4% in 2000 to 8% in 2005.

During period from 2006 to 2011, the share of primary products shows marginal up and down but remained more or less 13-14% between period 2006 to 2011. There gradual declined in agricultural and allied products (tea, coffee, rice, wheat, tobacco, cashew etc) from 9% to 7% between 2006 to 2011, similarly ores and minerals there has 5.97% in 2006 to 2.9% in 2011. The manufacturing sector like leather, textiles, chemical, engineering, gems and jewellers has also shown some decline downward from 67% in 2006 to 61% in 2011. The leather and manufacturing shown a decline from 2% in 2006 to 1% in 2011. chemical and related products demand remained around 11%-12% between 2006 to 2011. engineering product also showed same demand as around 23-22% in 5 year. Textiles also showed a decline during period between 2006 to 2011 from 13% to 9%. labour intensive production like gems and jeweller shown an increase from 12% to 15% from 2006 to 2011. However the Handicrafts demand from 0.34% to 0.076% declined, Handicrafts has very small share in exports. The other manufacturing also moved upward from 14% in 2006 to 18% in 2011. other commodities also increased from 2.51% in 2006 to 5% in 2011. India as emerging export country the emphasis is shifting from agricultural commodities and natural resources export country to highly capitalized and skilled based manufacturing share and services is dominating. India supports the Leontief paradox which states that labour intensive country exporting capital intensive goods and vice versa. There also trend of India and Asia is reemerging in the manufacturing sector in the world trade. There has been shift in the export of commodity to the more reliance on the manufactures and services. There also shift in favour developing countries (Will Martin 2001).

### The import of the selected commodities.

Commodity	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
I. Bulk Imports	20815 (41)	20263	24300	29461	42400	61086	84235	112744	138791	125315	151167	214754
A) Petroleum & products	15650	14000	17639	20569	29844	43963	56945	79644	93671	87135	105964	154905
B) Bulk Consumption goods	1443	2043	2411	3072	3104	2766	4294	4975	4975	9012	8854	11614
C) Other Bulk items	3722	4219	4249	5819	9452	14356	22996	40144	40144	29166	36347	48234
ii) non-bulk Imports	29720	31150	37112	48687	69116	88079	101499	164905	164905	163057	218602	274662
a) Capital goods	8941	9882	13498	18278	25135	37666	47069	71833	71833	65865	78546	99364
b) mainly export related item	8058	8260	10313	12716	17095	18641	17871	31930	31930	31270	53603	54478
c) Others	12721	13008	13300	17692	26886	31772	36558	61141	61141	65922	86447	120819
Total imports	50536	51413	61412	78150	111517	149166	185735	303696	303696	288372	369770	489417

RBI Handbook on Indian economy 2010-11.



The structure of Indian's imports has undergone changes since the opening up of the Indian economy. In India trade policy move from import substitution policy to promotion of trade based on dynamic advantage(Henry Burton 1989).Liberalisation regimes result more growth and has positive impact on aggregate demand( Krueger 1978).

This study of the import of the selected commodities in India's imports. The import consist of two important items which is bulk imports and non-bulk imports. Bulk imports consist of petroleum, bulk of consumption goods like cereals, edibleoil, pulse, sugar. Other non-bulk goods fertilizer, non-ferrous metals, paper, crude rubber, iron and steel etc. and secondly non bulk capital goods machine goods, electronicgoods, computer goods and transport equipment.Bulk imports increased from 41% in 2000 to 40% in 2005.The rise was marginal increase in import.Petroleum and products share was high around 29-30% between 2000 to 2005.This showed huge demand for the emerging economy like India and other countries. Imports of consumption goods which consist of items like cereals,oil,pulse,sugar etc.other bulk imports rose from 7% to 9% in 2005 .The major items consists of fertilizers,non-ferrous metals,paper,crude rubber etc.

Non bulk imports consists of capital goods, mainly export related items and others demand for import moved from 58% to 60% during period of 2000 to 2005.capital goods consist of machinery, machinery tools and computer items. Capital goods import important for development for industrial development of the country. capital goods gradually rose from 17% in 2000 to 25% in 2005.The mainly export related items consist of pearls, organic and inorganic chemicals, textile yarn, fabrics, cashew nuts etc. This export items demand for manufacturing item. Other items moved from 25% in 2000 to 21% in 2005.Others items covered of Gold silver,artificial resins, plastic materials,professional,scientific items ,chemical materials and non-metallic minerals etc.

During the period from 2006 to 2011, bulk imports 45% in 2006 to 43% in 2011.There was decline cereals and other commodity from import. Petroleum products consist of rise was small size 30% in 2006 to 31% in 2011. Bulk consumption goods consist of cereals, edible, oil and pulses etc) import demand remained more or less stable .The other bulk items (fertilizers, on-ferrous metals, paper, crude rubber, iron and steel) demand for import decline from 12% in 2006 to 9.85% in 2011. This may because of decline in production of slowdown in world economy particular in USA, and European union. Non bulk imports consists of capital, mainly export related item and others remain between 54% to 56% in 2006-2011.In capital goods substantially declined from 25% in 2006 to 21% in 2011 this may because of macroeconomic crisis. Export related an item includes Pearls, organic and inorganic chemicals, textiles yarn and cashew nuts from 9.62 % to 11% in 2006 to 2011.Others includes Gold and Silver, artificial resins and plastic





materials, coal and coke, medicinal & Pharmaceuticals, chemical materials etc. from 19% in 2006 to 24% in 2011.

### The composition of export by major market

	Percentage Share			
	2000-01	2008-09	2009-10	2010-11
<b>I.Primary products</b>				
World	16	13.9	14.9	12.7
USA	9.4	7.2	6.8	7.7
EU	13.1	8.4	8.6	8.5
China				
Others	19.8	16.7	18	14.5
<b>a) Agri &amp; allied Products</b>				
World	14	9.6	10	8.5
USA	9	6	5.8	6.6
EU	11.9	6.9	7.1	7.1
China				
Others	16.8	11	11.6	9.1
<b>b) Ores and minerals</b>				
World	2	4.3	4.9	4.2
USA	0.4	1.2	1	1.1
EU	1.3	1.4	1.5	1.4
China				
Others	3	5.7	6.5	5.4
<b>ii) Manufacturing goods</b>				
World	78.8	68.9	67.2	68.9
USA	90.6	90.2	89.1	88.7
EU	86.8	79.3	73.2	73.5
Others	70.9	62	62	66.5
<b>a) textiles incl.RMG</b>				
World	23.6	10.6	10.5	9.5
USA	27.2	18.4	18.4	16.9
EU	29.2	18.2	18.5	15.7
China				
Others	19.8	6.4	6.9	6.7
<b>b) gems and jewellery</b>				
World	16.6	15.1	16.2	14.9
USA	29.3	21.7	24.2	20.3
EU	11.5	8.3	6.7	6.4
China				
Others	13.9	16.1	17.8	16.3
<b>c) engineering goods</b>				
World	15.7	21.8	18.2	21.8
USA	13.4	23.9	17.1	22.2
EU	14	25.4	20.8	22.1
China				
Others	17.2	20	17.6	21.7
<b>d) Chemical &amp; related goods</b>				
World	10.4	12.3	12.8	12.1



USA	5.7	14.8	17.2	17.6
Eu	9.7	13	12.5	13
China				
Others	12.5	11.6	12.2	11
e)leather&leathermfrs				
World	4.4	1.9	1.9	1.7
USA	3.7	1.7	1.5	1.4
EU	11.4	5.9	6.3	6
China				
Others	1.6	0.7	0.6	0.7
III)Petroleum,crude&products				
World	4.3	14.9	15.8	16.9
USA	0	0.8	2.3	2.7
Eu	0	10.6	16.9	17.4
China				
Others	7.9	18.6	18.1	19.5
Total exports				

Source: Computed from DGCI & S Data, extracted from Economic Survey 2011-12:

The primary goods consist of agricultural and allied and ores and minerals. The primary goods with major trading countries world share substantially declined from 16% in 2001 to 12.7% in 2011. USA share declined from 9% in 2001 to 7.7% in 2011. Agricultural and allied products substantially declined from 14% to 8.5%. USA Share also decline from 9.9% to 6.6% .Ores and Minerals export share have driven up from 2% in 2000-01 from 4.2% in 2011. USA share was expanded from 0.4% in 2000-01 to 1.1% in 2010-11. Manufacturing also showed a downward trend from 78.8% in 2000-01 to 68.8% in 2010-11. USA share also shown decrease from 90% in 2000-01 to 88% in 2010-11. European union also showed a downward movement from 86.5% in India's share to 73% in 2010-11. Textiles includes Readymade garment India 's share in 23% in 2000-01 to 9.5% in 2010-11. India's percent share in USA market decline from 27% in 2000-01 to 16% share in 2010-11. India's share in European Union trade decline from 29% in 2000-01 to 15% in 2010-11. Gems and Jewellers is labour intensive commodity which has show a marginal decline from 16% in 2000-01 to 14% in 2010-11. India's share in European union was 29% in 2000-01 to 20% in 2010-11, simulatenous India's share in USA export 29% in 2000-01 to 20% in 2010-11. Engineering goods plays important role in development of any country. India's share increased for World from 15% in 2000-01 to 21% in 2010-11. Similarly for the USA, European Union ,and others share also increased from 13%, 14% and 17% in 2000-01 to 21%, 22% and 22% respectively. Chemical and related goods India's export share in world moved upward from 10% in 2000-01 to 12% in 2010-11. The USA, European Union and others from 5.7%, 9%, and 12% in 2000-01 to 17%, 13% and 12% in 2010-11 respectively. Leather and related goods share in towards world dropped down along with USA, European Union and Others. India has become net exporter of petroleum, As India import crude oil and export the refined petroleum. World share in Petroleum export from 4.3% shot up from 2000-01 to 16% in 2010-11. India has no share export to USA, European Union has rose up to 4% and 16% in 2010-11.



### Structure of India's export (both Traditional and Non Traditional items)in percentage

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Agricultural &amp; allied</b>	<b>5901</b>	<b>6710</b>	<b>7533</b>	<b>8474</b>	<b>10213</b>	<b>12683</b>	<b>18432</b>	<b>17534</b>	<b>17734</b>	<b>24207</b>	<b>37420</b>
1.Tea	360	341	356	409	390	435	505	584	620	736	863
2.Coffee	229	205	306	237	358	435	465	490	428	660	946
3.Rice	665	1204	907	1506	1405	1554	2919	2427	2372	2542	5032
4.Wheat	278.9	363	520	324	125	7.8	0.1	0.3	0	0.2	213.6
5.Cotton raw	9	10.4	205	94	656	1349	2202	623	2010	2888	4512
6.Tobacco	169.4	211	238	279	300	372	479	752	915	874	836
7.Cashew	376	426	371	554	585	553	555	637	596	626	928
8.Spices	313	342	336	419	477	697	1071	1378	1297	1765	2749
9.Oil Meals	474	307	728	707	1101	1216	2022	2232	1650	2429	2454
10.Fruits & vegetables	221	245	389	398	481	27	761	982	1128	1076	1190
11.Processed fruits	259	306	305	284	359	405	530	690	686	805	1140
12.Marine Product	1236	1431	1328	1439	1589	1768	1720	1536	2086	2615	3461
13.Sugar and Mollases	373	374	269	34.5	135	720	1406	985	27	1236	1874
14.Meat & Meat preparations	250	284	373	424	621	732	931	1167	1325	1966	2944
15.Other agriculture	682	654	967	1360	1625	2405	2861	3045	2588	3983	8273
<b>B.Ores &amp; Minerals</b>	<b>1262</b>	<b>1996</b>	<b>2368</b>	<b>5078</b>	<b>6163</b>	<b>7002</b>	<b>9119</b>	<b>7800</b>	<b>8662</b>	<b>8637</b>	<b>8153</b>
1.Iron Ore	426.4	867.9	1125.8	3277	3801	3902	5812	4723	5978	4700	4421
2.Mica	11.7	8.4	23	14.1	17.4	17	21.8	29.6	27.8	41.5	49
3.Other Ores & Minerals	824	1119	1219	1787.1	2345	3083	3286	3047	2655	3895	3683
<b>C.L Leather &amp; Manufactures</b>	<b>1910</b>	<b>1848</b>	<b>2163</b>	<b>2421.6</b>	<b>2697</b>	<b>3016</b>	<b>3502</b>	<b>3556</b>	<b>3361</b>	<b>3910</b>	<b>4788</b>
<b>D.Textiles &amp; Products</b>	<b>10206</b>	<b>11617</b>	<b>12791</b>	<b>13555</b>	<b>16402</b>	<b>17373</b>	<b>19425</b>	<b>20016</b>	<b>19853</b>	<b>24225</b>	<b>27998</b>
1.Cotton Yarn, Fabrics, Madeups	3072	3351	3394	3450	3944	4218	4653	4115	3684	5785	6805
2.Natural Silk Yarn	285.9	314	379	405	432	441	385	363	302	374	208
3.Manmade Yarn	1065	1371	1761	1962	1957	2204	2897	3026	3602	4277	5062
4.Manmade Staple	23.5	45.6	60	88	81.8	196	278	254	356	421	565
5.Woolen Yarn	52.2	50.9	58.3	69	85.3	85	92.8	99.3	89.6	110	151.5
6.Ready Made Garments	5006.6	5689.9	6231.4	6561	8617	8892	9687	10935	10705	11601	13688
7.Jute & Jute Manufacture	128.3	187.6	242.4	276	296	260	327	299	217	459	457
8.Coar & Coar Manufactures	61.8	73.4	77.8	105	133	145	160	148	160	159	213
9. Carpets	510.2	532.6	585.7	636	829	928	943	775	734	1035	845
<b>Non-Traditional</b>											
<b>E. Engineering goods</b>	<b>6957</b>	<b>9033</b>	<b>12405</b>	<b>17348</b>	<b>21718</b>	<b>29567</b>	<b>37365</b>	<b>47285</b>	<b>38271</b>	<b>58137</b>	<b>67093</b>
1.iron & Steel	898	1856	2477	3921	3548	5238	5446	5822	3622	5113	6447
2.Manufacture of Metals	1604	1847	2426	3401	4233	5081	7051	7548	5523	8456	9615
3.Machinery & instruments	1734	2008	2776	3719	5077	6722	9128	10945	9539	11839	14364



Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
4.Transport & equipment	1020	1333.9	1956	2829	4323	4949	7024	11153	9824	16048	20905
5.Electronic goods	1171	1252	1728	1831	2173	2854	3361	6805	5458	8203	8894
6.Other Engineering Goods	529	734	1040	1644	2363	4750	5353	5010	4304	8476	6865
<b>E.Gems and Jewellery</b>	<b>7306</b>	<b>9029</b>	<b>10573</b>	<b>13761</b>	<b>15529</b>	<b>15977</b>	<b>19678</b>	<b>27955</b>	<b>28996</b>	<b>40476</b>	<b>46900</b>
<b>F.Handicrafts</b>	<b>549</b>	<b>785</b>	<b>500</b>	<b>377</b>	<b>462</b>	<b>438</b>	<b>508</b>	<b>301</b>	<b>224</b>	<b>256</b>	<b>233</b>
<b>G.Other Manufactured Goods</b>	<b>388</b>	<b>475</b>	<b>613</b>	<b>822</b>	<b>983</b>	<b>1213</b>	<b>1304</b>	<b>1326</b>	<b>1565</b>	<b>2116</b>	<b>2580</b>
<b>I.Petroleum</b>	<b>2119</b>	<b>2576</b>	<b>3568</b>	<b>6989</b>	<b>11639</b>	<b>18634</b>	<b>28363</b>	<b>27547</b>	<b>28192</b>	<b>41480</b>	<b>55603</b>
<b>k.Others(Commodities)</b>	<b>1174</b>	<b>1192</b>	<b>1880</b>	<b>2262</b>	<b>2510</b>	<b>3173</b>	<b>4010</b>	<b>9263</b>	<b>8982</b>	<b>18817</b>	<b>16661</b>
<b>Total Exports</b>	<b>43826</b>	<b>52719</b>	<b>63842</b>	<b>83535</b>	<b>103090</b>	<b>126414</b>	<b>162904</b>	<b>185295</b>	<b>178751</b>	<b>251136</b>	<b>304623</b>

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The export sector in India can be basically classified into major groups as Traditional and Non-Traditional items of exports. The has tremendous change in India export pattern in India.The major share of our export was Traditional in earlier decades of our growth and development with growing Industrial base and strong and vibrant service sector. The pattern has changed in favour of Non-Traditional items which is basically Industrial oriented commodities.The India has more competitiveness and comparative advantage in various Non-Traditional items. The India's Export are broadly classified into traditional and non-traditional items which are generally categorized under four groups.

Traditional items includes agricultural and allied products like Tea, coffee, ,Ores and Minerals, Leather and Manufactures and Textiles includes Jute Manufactures .Traditional items are those which India has competitive advantage during the earlier period of Independence. The Non-Traditional items includes Engineering Goods which includes Iron and Steel, Gem and Jewellery, Handicrafts, Other Manufactured Goods, Petroleum and Other (Commodities). The decline in the share of the India's Export in Traditional items doesn't reflects in fall in the International competitiveness of its export. The India has competitiveness in its exports (S.N.Kapoor 1991). The India's export structure and competitive has gradually shifted to the non-traditional exports. There has been change in structure and composition of India's export durning 1970-71 to 2001-02, there has been decline in traditional items. The share of the Traditional items India's export was around 58 % in 1970-71 which decline to 25% in 2001-02, while the non-traditional items share rose from 34% in 1970-71 to 72 % in 2001-02 (kaundal, R.K.2005). The overall there has decline in traditional items and increase in non-traditional items in our exports.Durning the Post liberalization era there has been also increase in non-traditional items which the traditional items is showing a decline trend. The traditional items which was around 43.98 % in 2001 declined to 25.72 in 2011. There has further decline from agricultural and allied activities from 13.41% in 2001 to 12.28 in 2011.Ores and minerals which is important from industrial development. The ores and minerals also marginal show downturnfrom 2.87 in



2001 to 2.67 % in 2011. Leather and manufactures have also shown the similar pattern there a decrease from 4.3% in 2001 to 1.57% in 2011. Textiles which included Jute items also fallen from 23.5 % in 2001 to 9.19 % in 2011. There demand for the traditional items there was severe setback due to the slow decline in the demand for the traditional goods. The developing countries primarily depend export of primary goods. The deterioration of trade against of developing countries due working of Engel law which states that share of demand for the primary commodities decline as the income rises. The Nontraditional items were sharp rose from 42.19% in 2001 to 62.06% in 2011. The Engineering goods also rose from 15.87 % in 2001 to 22.02 % in 2011. While surprisingly gem and jewelers shown marginal decline from 16.67% in 2001 to 15.39% in 2011. While similarly Handicrafts and other manufactured commodity have also shown marginal decline. There demand for the refined and processed from India, the export of petroleum has sharp risen from 4.8 % in 2001 to 18.25% in 2011. Others commodities export have increased from 2.67% in 2001 to 5.46% in 2011. The overall there has increase from non-traditional item to the traditional items.

### The direction of India's exports towards the major trading blocks

Direction of Trade Exports (Percentage share)					
Countries	1970-71	1980-81	1990-91	2001-02	2008-09
OECD	769(50.1)	3126(46.6)	17428(53.5)	103120(49.3)	314834.5(37.44)
European union of	282(18.4)	1447(21.6)	8951(27.5)	45524(21.8)	179214(21.31)
Belgium	20(1.3)	145(2.2)	1259(3.9)	6632(3.2)	20309.4(2.4)
France	18(1.2)	147(2.2)	766(2.4)	4507(2.2)	13776(1.6)
Germany	32(2.1)	385(5.7)	2549(7.8)	8529(4.1)	29194.8(3.47)
U.K	170(11.1)	395(5.9)	2128(6.5)	10306(4.9)	30344.6(3.6)
North America	235(15.3)	806(12.0)	5077(15.6)	43391(20.8)	102705(12.21)
Canada	28(1.8)	62(0.9)	281(0.9)	2789(1.3)	6246(0.74)
USA	207(13.5)	743(11.1)	4797(14.7)	40602(19.4)	96458(11.47)
other OECD of which	234(15.2)	708(10.6)	3401(10.4)	9494(4.5)	21241(2.52)
Australia	25(1.6)	92(1.4)	321(1.0)	1994(1.0)	6576.3(0.78)
Japan	204(13.3)	598(8.9)	3039(9.3)	7204(3.4)	13807(1.64)
OPEC of Which	99(6.4)	745(11.1)	1831(5.6)	25016(12.0)	178788.8(21.26)
Iran	27(1.7)	123(1.8)	141(0.4)	1207(0.6)	11565.2(1.3)
Iraq	10(0.6)	52(0.8)	44(0.1)	986(0.5)	1981.3(0.23)
Kuwait	16(1.0)	97(1.4)	74(0.2)	984(0.5)	3628.4(0.43)
Saudi Arabia	15(0.9)	165(2.5)	419(1.3)	3941(1.9)	22940(2.72)
Eastern Europe of	323(6.4)	1486(11.1)	5819(5.6)	4859(12.0)	9256(1.4)
GDR	25(1.6)	49(0.7)	—	—	—
Romania	14(0.9)	58(0.9)	96(0.3)	54(0.0)	—
Russia	210(13.7)	1226(18.3)	5255(16.1)	3807(1.8)	4958.2(0.58)
Other LDC of which	305(19.8)	1286(19.2)	5465(16.8)	58614(28.0)	—
Africa	129(8.4)	330(5.2)	668(2.1)	7796(3.7)	53242(6.33)
Asia	166(10.8)	900(13.4)	4665(14.3)	46803(22.4)	235728(28.03)
Latin America & caribbean	10(0.7)	36(0.5)	132(0.4)	4015(1.9)	26294.5(3.12)
Other	39(2.7)	68(1.0)	2010(6.2)	17410(8.4)	22610(2.68)
Total	1535(100)	6711(100)	32553(100)	209018(100)	840755(100)

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Comparative advantage and absolute advantage played in role in development and developing countries. specialization patterns leads to formation among the absolute advantage countries like Formation of absolute advantage countries like Oil producing countries OPEC. The formation of custom union broadly aims have trade disadvantage form the trade forums .There is also rising of intra industry trade in among various nations (Julia Worz 2005). There is generally preferential treatment and free trade among the member countries. The OECD countries were formed after Second World War to rehabilitation of weak economies of Europe. It mainly comprises of Australia, Austria, Belgium, Canada, Denmark, Germany, Finland, France, Greece, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, UK and USA. India share to USA has also declined because of the global financial crisis in 2008-09 (.....) It mainly to coordinate welfare policy among the member countries. The Export to the OECD countries in 1970 India had 50% there share shown a continuous decreasing trend in 2008-09 it has share of 37%. The other OECD countries, Japan and Australia share also declined. European Union consists of 27 countries it consist most of the European countries. It acts for their economic development and also political forces. The percentage share of trade remained more or less at constant. It was around 18% in 1970-71 increase slightly to 21% percent in 2008-09. OPEC is consist of petroleum exporting countries. It main objective to protecting the interests of oil exporting countries. The trade export to the OPEC countries has shot up from 6.4% to 21% in 2008-09. The trade export in favor of eastern Europe has declined from 6.4% in 1970-71 to 1.4% in 2008-09. The export in favor of the Other LDCs share has increased, similarly percentage share in favor of Asia has increased from 10% in 1970-71 to 28% in 2008-09. The developing countries of Latin America and Caribbean percentage share from 0.7% in 1970-71 to 3.12% in 2008-09. India is unable to sustain its position of the export share in world market mainly because of price inelasticity in international market. (.....) The trade direction of India both in export and import are related the U.S.A, Germany, France, Italy and Middle east countries with major trading partner the India's export to U.S.A (11.4), Germany (3.4) U.K (3.6), Saudi Arabia (2.72) and Iran (1.3) respectively. This show that major developing countries are depend on developed nation for their export likewise India have oil shock problem since independence so it heavily depend on middle east countries for their crude oil imports. In case of technology we are depend upon U.S.A, U.K and other European countries



## Imports from the various trading blocks

Rs crores

Country	1970-71	1980-81	1990-91	2001-02	2008-09
OECD of which	1042 (63.8)	5740 (45.7)	23310 (54.0)	98439 (40.1)	443315.5 (32.25)
EU of which	320 (19.6)	2639 (21.0)	12680 (29.4)	46711 (19.1)	194434.9 (14.14)
Belgium	12 (0.7)	296 (2.4)	2718 (6.3)	13177 (5.4)	26057.9 (1.89)
France	21 (1.3)	280 (2.2)	1304 (3.0)	4026 (1.6)	21165.2 (1.5)
Germany	108 (6.6)	694 (5.5)	3473 (8.0)	9672 (3.9)	54922.4 (3.9)
Netherlands	19 (1.2)	215 (1.7)	793 (1.8)	2225 (0.9)	8669.6 (0.63)
U.K	127 (7.8)	731 (5.8)	2894 (6.7)	1224 (5.0)	26767.7 (1.9)
North America	570 (34.9)	1851 (14.7)	5804 (13.4)	17546 (7.2)	961150 (6.3)
Canada	117 (7.2)	332 (2.6)	559 (1.3)	2525 (1.0)	11296.8 (0.8)
U.S.A	453 (27.7)	1619 (12.9)	5245 (12.1)	15021 (6.1)	84818.3 (6.1)
Other OECD of which	122 (7.4)	932 (7.4)	4826 (11.2)	16858 (6.9)	64485.3 (4.6)
Australia	37 (2.2)	170 (1.4)	1464 (3.4)	6229 (2.5)	50496.5 (3.6)
Japan	83 (5.1)	749 (6.0)	3245 (7.5)	10237 (4.2)	35832.8 (2.6)
OPEC of which	126 (7.7)	3488 (27.8)	7041 (16.3)	14215 (5.8)	448379.1 (32.6)
Iran	92 (5.6)	1339 (10.7)	1018 (2.4)	1354 (0.6)	55821.8 (4.06)
Iraq	3 (0.2)	753 (6.0)	496 (1.1)	0.2 (0)	34285.0 (2.4)
Kuwait	6 (0.3)	338 (2.7)	363 (0.8)	351 (0.1)	43199.5 (3.1)
Saudiarabia	24 (1.5)	540 (4.3)	2899 (6.7)	2213 (0.9)	89747.0 (6.5)
Easter Europe of which	220 (13.5)	1296 (10.3)	3377 (7.8)	3320 (1.4)	30410.2 (2.7)
G.D.R	19 (1.1)	44 (0.4)	-	-	-
Romania	17 (1.0)	97 (0.8)	50 (0.1)	231 (0.1)	-
Russia	106 (6.5)	1014 (8.1)	2548 (5.9)	2554 (1.0)	19787.4 (1.4)
other LDC of which	239 (14.6)	1966 (15.7)	7965 (18.4)	46869 (19.1)	-
Africa	169 (10.4)	205 (1.6)	959 (2.2)	4624 (1.9)	57401.9 (4.1)
Asia	54 (3.3)	1431 (11.4)	6033 (14.0)	37414 (15.3)	361873.6 (26.32)
latinamerica and caribbean	16(1.0)	313 (2.5)	974 (2.3)	4831 (2.0)	26208.8 (1.9)
other	7 (0.4)	59 (0.5)	1505 (3.5)	82356 (33.6)	6846.4 (0.4)
Total	1634	12549	43198	245199	1374435.6

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Import of goods and services from both the developed and developing countries .Import helps in sustaining our consumption requirement and it acts as building block for the economic development. The Imports from the OECD and EU have declined. The imports from the OECD countries have also tremendous declined from 1970-71 which was around 63% share to around 32% in 2008-09.While similar pattern is shown by Imports from European Union there has gradual decline in import, presently it is around 14% in 2008-09.USA, North America which share have declined, during 50-60s India heavily depended on the Imports from USA.The percentage share of imports from Other OECD Countries comprise of Japan, Australia have also moved down. The India have trade deficits with the OPEC countries mainly UAE, Saudi Arabia etc. (Economic survey 2011-



12). India is importing large quantities of oil from these countries, the share of OPEC countries was around 7.7% in 1970 but has moved up to 32% in 2008-09. The eastern Europe have declined from 13% in 1970 to 2.7% in 2008-09. The import from Russia also moved down. The imports from Other LDCs and Asia continued to be major share of imports. There is been increase in the trade between the developing countries. The share of Other LDC and Asia have increased, But interestingly the import from the Africa has declined till 2000 but presently showing the increase. We are importing from crude oil from middle east countries like Iran (4.0), Iraq (2.4), Kuwait (3.1), Saudi Arabia (6.5) likewise U.S.A importing (6.5) and Germany (3.9)

#### India's trade share and export -import ratio major trading partners

Country	Share in total trade			Export/Import ratio		
	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11
UAE	9.76	9.29	10.81	1.04	1.23	1.05
China	8.59	9.09	10.16	0.29	0.37	0.45
U.S.A	8.18	7.83	7.35	1.14	1.15	1.27
Saudi Arabia	5.09	4.49	4.13	0.26	0.23	0.26
Switzerland	2.54	3.26	4.1	0.07	0.04	0.03
HongKong	2.71	2.7	3.18	1.02	1.67	1.1
Germany	3.8	3.37	3	0.53	0.52	0.57
Singapore	3.26	3.01	2.81	1.09	1.17	1.44
Indonesia	1.91	2.52	2.6	0.38	0.36	0.63
Belgium	2.09	2.09	2.4	0.78	0.62	0.73
Korea	2.62	2.57	2.35	0.46	0.4	0.39
Japan	2.24	2.22	2.23	0.39	0.54	0.6
Iran	3.04	2.87	2.2	0.21	0.16	0.25
Nigeria	2.12	1.86	2.1	0.18	0.19	0.21
UK	2.58	2.29	2.02	1.13	1.4	1.33
Total of top 15 countries	60.54	59.45	61.45	0.57	0.6	0.63
Total	100	100	100	0.61	0.62	0.68

Source : Economic survey 2011-12

The above the table shows the share of India's export-import ratio among the major 15 trading partners in current period from 2008-09 to 2010-11. Export in India's trade share has been a success story in terms of trade diversification of export and import market. A co-efficient of export and import ratio between 0 and 1 implies that India's imports are greater than exports and if the co-efficient is greater than one, India exports more than what it imports. So this the formula to find out trade deficit or trade surplus in our balance of payment. It shows clearly that if we have trade surplus which means our export is more than import with the countries like UAE, U.S.A, Hong Kong, Singapore and UK the rest of countries contain trade deficit which means our export is less than import with the countries like China, Saudi Arabia, Switzerland, Germany, Indonesia, Belgium, Korea, Japan, Iran and Nigeria respectively among the top 15 trading partners India's imports from





Nigeria, Switzerland and Indonesia registered a growth of above 60% in 2011-12 due to imports of crude oil, gold and silver and edible oils along with crude oil respectively, however India's Imports from Iran, the U.S.A, the UAE and Belgium registered low growths. China's import were increasing to India continuously 0.29 in the year 2008-2009, 0.37 in the year 2009-2010 and 0.45 in the year 2010-2011. So this shows that even though there is a recession throughout the world china's have strong trade surplus which generating huge foreign exchange reserve to them like wise Japan is also doing more importing with trade share of 0.39 in the year 2008-2009, 0.54 in the year 2009-2010 and 0.63 in the year 2010 -2011 respectively. Not only our import but also our total trade deficit also 0.54 in the year 2008-2009, 0.60 in the year 2009-2010 and 0.63 in 2010-2011 respectively.

### The movement of the balance of payments

Merchandise	1970-71	1980-81	1990-91	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
1) Export	1418	6666	33153	207852	2E+05	260079	303915	381785	465748	582871	668008	857960	862023
2) Import	1826	12877	50086	264589	3E+05	311776	367301	533550	695412	862833	1035672	1401118	1417681
Trade Balance	-408	-6211	16934	-56737	54955	-51697	-63386	151765	229664	279962	-367664	-543158	-555659
invisibles .net	-37	4000	-433	45139	71381	82357	127369	139591	185927	235579	304185	411544	374901
current account(1+2)	-445	-2214	17367	-11598	16426	30660	63983	-12174	-43737	-44383	-63479	-131614	-180757
capital account	435	1315	12895	39241	40167	51377	80010	128081	109633	208017	433167	34499	244995
foreign investment	36	-	184	31016	38861	29072	71728	68366	94814	134282	249388	94431	305067
external assistance	504	1112	3965	2080	5819	-14863	-12553	8993	7876	8027	8484	12475	11348
commerical borrowing	16	199	4034	20194	-7543	-8263	-13274	24149	11610	73889	91212	31350	14356
rupee debt service	-	-	-2140	-2760	-2457	-2306	-1756	-1858	-2557	-725	-492	-472	-452
NRI deposit, net	-	178	2756	10561	13127	14424	16869	-4439	12457	19574	705	20430	14253
other capital	-121	-177	4096	-21850	-7640	33313	18996	32870	-14567	-27030	83870	-123714	-99577
overall balance	-10	-899	-4471	27643	56593	82037	143993	115907	65896	163634	369689	-97115	64237
monetary movement	10	899	4471	27643	56593	-82037	143993	115907	-65896	163634	-369689	97115	-64237
reserve(+/-)	89	516	2293	-27528	56593	-82037	143993	115907	-65896	163634	-369689	97115	-64237
IMF,NET	-154	265	2178	-115	0	0	0	0	0	0	0	0	0
SDR allocation	75	118	0	0	0	0	0	0	0	0	0	0	0

Source: RBI handbook on Indian economy



During the period from 1970-1991 saw increase in export and import, while similarly India's trade deficit there has been an continuous increase .1990's there has been urgency and importance of boasting our exports to our trade deficit widening within the limits. India took the IMF Loan which imposed the conditionality's that India should have an outward looking strategy to overcome the balance of payment difficult, but with opening of economy for the trade.(Veermani 2007) Reducing the tariff limits, import quota and licensing system was abandoned, but still the problem remains the same, there is high trade deficit in the country. Balance of payments of records the transactions of resident of country with goods, services and assets with rest of world during the particular time period generally .Balance of payment have two accounts current a/c and capital a/c.Current a/c comprise of export and import of goods and services and transfer payments. When export exceeds the import it is called as trade surplus and vice versa. Capital a/c records of the international purchases and sales of assets stock, money and bonds etc.1970-71 the balance of trade deteriorated.1980-81 there was shock from the global recession and oil price decline in the 1980s.(PrabirjitSarkar 1994).

India's export declined while import has increase causing decline in the Balance of payments it continued till 1990-91,with pushed the country in balance of payment crisis, which forced the country to took the IMF loan .This brought the country severe change in the trade policy. India's trade policy becomes Export – oriented strategy.Durning period 2000 to 2003 there was improvement in the balance of payment due in improvement in the current a/c.Balance of trade deteriorated due to rise imports deterioration in the current a/c.The global financial crisis 2008-09 may lead decline in FDI leading negative balance of payment.

### REER and NEER affect

#### Indices of real effective exchange rate (REER) and nominal effect

Year	Export-Based Weights		Trade Base	
	REER	NEER	REER	NEER
base year 1993-94=100				
1993	100.1	99.62	100.1	99.61
1994	103.6	99.3	103.3	99.86
1995	102.6	93.41	101	94.07
1996	97.55	88.16	95.41	88.42
1997	102.6	91.72	100.4	91.85
1998	96.36	90.23	94.52	89.11
1999	94.85	90.58	95.29	90.89
2000	98.07	90.57	99.3	92.19
2001	98.9	89.25	100.9	91.52
2002	96.4	87.57	98.9	90.08
2003	98.17	87.68	99.04	87.6
2004	98.28	87.87	99.68	86.63



Year	Export-Based Weights		Trade Base	
	REER	NEER	REER	NEER
<b>Base Year 2004-05=100</b>				
2005	102.45	101.97	102.64	101.9
2006	100.97	98.61	101.23	98.36
2007	107.51	104.39	107.6	103.73
2008	101.34	97.42	101.18	96.48
2009	93.22	90.56	93.04	90.23
2010	102.44	94.8	101.44	93.85
2011	102.34	91.04	100.81	89.62

Economic survey 2011-12

The Nominal Effective Exchange Rate (NEER) and Real Effective Exchange Rate (REER) are used to measure the external competitions. RBI has revised the 6 currency and 36 currency indices with NEER and REER. NEER which is a multilateral rate representing the price of a representative basket of foreign currencies each weighted by its importance to the domestic country in international trade.

#### **To the study growth of export in pre and post liberalization era.**

To study the relationship between export and income during pre and post liberalization the first period 1973-74 to 1991 and second period is 1991 to 2010-11. The log linear model can be used to analyze the study. Hypothesis: In order to test the findings of the study the following hypothesis have been formulated.

Ho- There has been export growth in pre and post liberalization period have remained same

H1- There has been export growth have been significantly different in pre-and post liberalization period.

$$Y = \alpha + \beta X + \mu$$

$$\text{Log} Y = \text{Log} \alpha + X \text{Log} \beta + \mu$$

#### **Results**

##### **Dependant variable GDP**

Time period	Independent Variable	B-Coefficient	t-Statistic	R-squared
1973-74 to 1991	Export	0.32	23.35	0.96
1992-2011	Export	0.40	62.58	0.99

#### **Conclusion**

There has been debate in whether the strong export stimulates the growth or growth stimulates the growth (Deepak srivastava and Garima Kapoor 2007). GDP has played important in push the growth of trade in our country. India followed an inward looking policy during the 1950 to 1990s. There has been strong force for

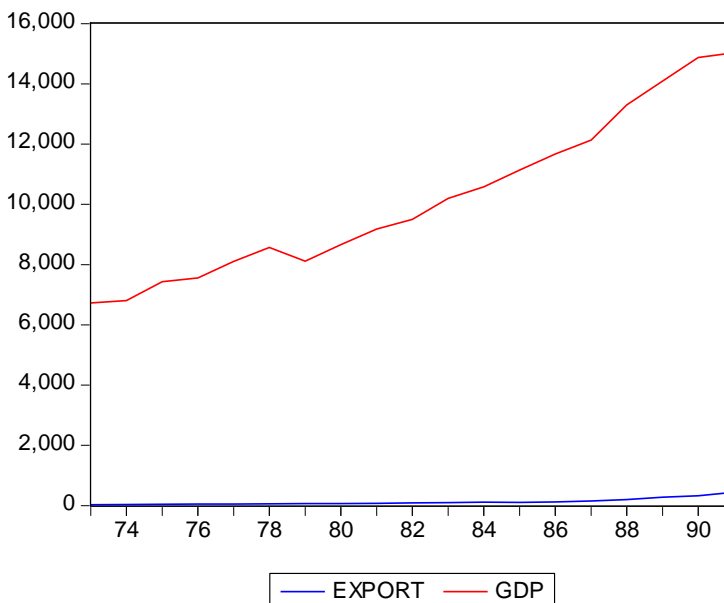


import substitution policy, but with in early 1990s with mounting trade deficit, the IMF conditionality's loan forced India to change the policy in favour export oriented strategy.

The research hypothesis:  $H1: X_{post} > X_{preliberalisation\ era}$ .

The following result explains the elasticity of Indian export and income. There is positive relationship between the income and export .The simple log linear demand function for Indian exports show that the coefficient of income, constant elasticity of exports with respect to income is significantly positive. The results shows the highly correlation between the export and income is highly correlated (0.96 percent) 1 percent increase income leads to the 0.32 percent in the export. In the second time period there has been decline in elasticity from 1 percent increase in the income leads to the increase in .40 percent increase in the export. The export in post liberalization is relative elastic when compared with preliberalisation era. The study shows that there is elastic nature of the Indian exports to the changes in income. The t-statistic helps to measure the difference between the two time periods the t-statistic shows that 23.35 percent in the time period ,in the second time period it is s62.58 ,Hence we can accept the H1 reject the Ho at the 5 percent significance level

**Table 1 PRE-LIBERALISATION ERA: 1973-1991**





**Table 2: Post liberalization era: 1992-2011**

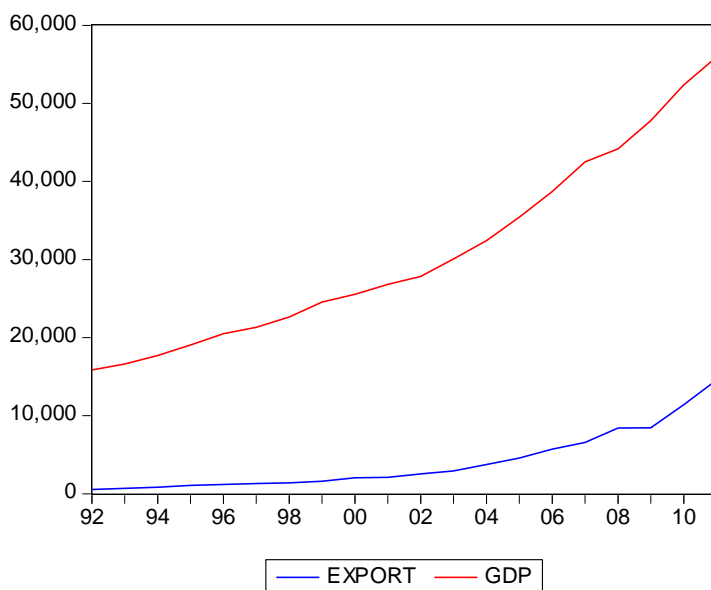


Table 1 and 2 study the relationship between export and income during pre and post liberalization the first period 1973-74 to 1991 and second period is 1991 to 2010-11. The two above table shows the growth of GDP and export in pre and post liberalization era .During the pre and post liberalization GDPMP FROM 1973-1991

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