

Trend of India's Exports

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ABSTRACTS

One of the objectives of the new economic policy of liberalization of trade sector is to achieve high rate of growth of India's export and increase its share in world exports which declined from around 2 percent at the eve of independence to about 0.4 percent in 1980, though then rose to 0.5 percent in 1990. Given the startling performance of many of the Asian countries such as Taiwan and South Korea under export oriented industrialization led many countries to believe that restrictive trade policies not only constrain earnings of foreign exchange by retarding export growth, it also had an adverse effect on economic prosperity of the country. To facilitate trade and integration into the world economy, many countries have embarked on liberal trade policies, by reducing the government controls and lowering the tariff rates to minimum level. It is argued that removal of the anti-export bias of trade and industrialization policies generate a big response from total exports in general and manufacturing exports in particular.

With this backdrop, the present topic is an attempt to examine the Indian case where trade reforms were introduced since mid 1991, and address the following objectives in the context of exports.

- To determine the growth in exports.
- To study instability in export earnings.
- To find changes in composition of exports.
- To determine commodity concentration/ diversification in export earnings.
- To analyse changing pattern of exports during the reform period.

GROWTH OF INDIA'S EXPORTS

To evaluate the performance of export sector during the post liberalization period, it would be better to analyze in both, international and domestic perspective. To assess the performance of exports in international perspective, annual compound growth rate has been calculated and compared it with growth rate of world export, and with that of some of the individual developing nations. The data for the purpose has been taken from various issues of International Financial Statistics published by IMF.

To analyze the performance in domestic perspective, comparative analysis has been made between export growth during post-liberalization period and pre-liberalization period of the 1980s. For this, data has been taken for 22 commodities of 5 major commodity groups from various issues of Economic Survey, Government of India. Annual compound growth rates have been calculated by using the following formula.

$$Y = A B^t$$

Where,

t = time periods, and

$$\text{Growth rate} = (B-1) \times 100.$$

India's Export Performance in International Perspective:

Table 1 compares India's export performance since 1992 with that of the world; the developing countries; and some of the developing countries like China; S. Korea; Malaysia; Turkey; and Mexico. The figure in table gives a mixed story. During the period 1992 to 2005, World export grew at an annual compound rate of 8.6 percent and the export of the developing countries grew at the rate of 10.5 percent per annum. India's export during the same period increased at the rate of 13.4 percent. This led to rise in India's share in world export as is revealed from the table 1. This is a positive development as far as India's export sector is concerned.

When we compare India's growth with the growth of export of some of developing nations, we find that India's growth has not been significantly lower than these countries except China.

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Table-1: Comparative performance of Export of some of the Successful Developing Countries (% share in world export and Annual Compound Growth Rate).

| Years | World | India | China | Malaysia | S.Korea | Argentina | Brazil |
|------------------------------------|-------|-------|-------|----------|---------|-----------|--------|
| 1980 | 100 | .4 | .9 | .7 | 0.90 | 0.40 | 1.00 |
| 1985 | 100 | .5 | 1.5 | .8 | 1.60 | 0.40 | 1.40 |
| 1990 | 100 | .52 | 1.81 | .86 | 1.90 | 0.35 | 0.92 |
| 1991 | 100 | .51 | 2.06 | .98 | 2.06 | 0.34 | 0.91 |
| 1992 | 100 | .52 | 2.25 | 1.08 | 2.04 | 0.32 | 0.95 |
| 1993 | 100 | .57 | 2.44 | 1.25 | 2.18 | 0.34 | 1.03 |
| 1994 | 100 | .58 | 2.82 | 1.37 | 2.24 | 0.37 | 1.03 |
| 1995 | 100 | .60 | 2.9 | 1.44 | 2.44 | 0.41 | 0.92 |
| 1996 | 100 | .62 | 2.82 | 1.46 | 2.43 | 0.45 | 0.90 |
| 1997 | 100 | .63 | 3.3 | 1.42 | 2.46 | 0.47 | 0.96 |
| 1998 | 100 | .61 | 3.38 | 1.34 | 2.42 | 0.48 | 0.94 |
| 1999 | 100 | .63 | 3.45 | 1.5 | 2.55 | 0.41 | 0.85 |
| 2000 | 100 | .67 | 3.91 | 1.4 | 2.70 | 0.41 | 0.86 |
| 2001 | 100 | .71 | 4.34 | 1.44 | 2.45 | 0.44 | 0.95 |
| 2002 | 100 | .77 | 5.08 | 1.45 | 2.52 | 0.41 | 0.93 |
| 2003 | 100 | .76 | 5.87 | 1.33 | 2.60 | 0.40 | 0.98 |
| 2004 | 100 | .94 | 6.56 | 1.39 | 2.81 | 0.39 | 1.06 |
| 2005 | 100 | 1.06 | 7.63 | 1.40 | 2.80 | 0.39 | 1.16 |
| Annual Compound Growth Rate | | | | | | | |
| 1970-80 | 20.3 | 15.2 | 22.9 | 22.6 | 35.6 | 16.3 | 22.1 |
| 1980-90 | 5.2 | 8.0 | 13.1 | 8.6 | 14.0 | 4.4 | 4.5 |
| 1992-05 | 8.6 | 13.4 | 17.5 | 9.8 | 11.5 | 9.3 | 8.5 |

table 1 & 2, that, during pre-liberalization period, total exports in rupee terms increased at an annual compound rate of 17.1 percent, and in US dollar terms at compound annual rate of 7.9 percent. Of the five commodity groups considered, two commodity groups, namely, manufactured goods (experiencing highest growth rate of 20.7 percent in rupee terms and 10.8 percent in dollar terms) and mineral fuels and lubricants (with 39.1 percent in rupee terms and 31.2 percent in dollar terms) witnessed faster growth than total exports. The higher growth of manufactured goods was due to higher export growth of chemicals and allied products, leather and leather manufactures handicrafts (incl. Carpets handmade) and textile fabrics and manufactures (including carpets

handmade). Agriculture and allied products experienced lower export growth rate due to poor performance of coffee, fruits, vegetables, pulses, rice and raw cotton.

During the post reform period, i.e. from 1992-93 to 2005-06, the growth of export has been significantly higher than the pre-reform growth rate in dollar terms. During the period, India's export in rupee terms grew at marginally higher rate (17.3) and in dollar terms at 14.1 percent as compared to 17.1 percent and 7.9 percent respectively of pre-liberalization period of the 1980s. Sector wise analysis shows that agriculture and allied sector; and ores and mines performed better during the post-reform period. However, the growth rate of manufacturing sector during the post-reform period was lower in rupee terms if not in dollar terms than what it achieved during the 1980s. Similarly, mineral fuels and lubricant lagged behind the growth achieved during the 1980s.

Commodity wise analysis shows that rice; meat and meat preparation; fruits, vegetables, and pulses; coffee; and tobacco performed better in the post-reform period. This has also led to higher rate of agriculture and allied export. Further, high growth rate of iron ores contributed to the higher growth of ores and mines sector during the period.

In manufacturing sector, it was coir yarn and manufacture; jute manufacture; fuel; and machinery tools, and iron and steel; which have grown at moderately higher rate than pre-reform period. Rest of the products experienced lower growth during the reform period as compared to that of the 1980s. Handicrafts that accounted for a very high rate of growth in the 1980s witnessed negative growth in the post-reform period. Thus, sector wise comparative analysis shows that the primary sector, like agriculture and allied products; and ores and mines have made an improvement in performance during the reform period as compared to the 1980s. But, the manufacturing sector, which constitutes about three fourth of India's total exports, has shown a decline in the growth rate during this period. Though primary sector is believed to be inelastic in nature, witnessed resilient character by showing improvement in growth rate, whereas, the manufacturing sector, which is supposed to be elastic in nature, has experienced decline in the growth rate over the period. Further, a close scrutiny of the whole period of 12 years from 1992-93 to 2005-06 reveals different rate of growth achieved by different sectors. On the basis of growth performance of these sectors we may divide the

whole period into three sub- periods i.e.:

1. Sub-period 1992-93 to 1996-97.
2. Sub-period 1996-97 to 2000-01.
3. Sub-period 2000-01 to 2005-06

The sub-period wise analysis of export trends reveals similar trend as experienced since 1970 i.e., high growth rate for few years followed by slow growth and again high growth rate. For example, there was high rate of growth of export during 1970-71 to 1977-78 followed by slow growth during 1980-85 and again high rate of growth since 1985. The overall satisfactory performance during 1992-93 to 2005-06, at aggregate as well as at disaggregate level, mostly owed to growth achieved in the first sub-period, i.e. from 1992-93 to 1996-97. Since then, however, growth rate in most of the sectors declined continuously. Only few commodities could maintain the momentum of growth and few could accelerate in successive periods. For example, the agriculture sector that grew at 26.5 per cent per annum in the first sub period slowed down to 4.2 per cent in next sub period, i.e. during 1996-97 to 2000-01 and could recover only to 7.9 per cent during 2000-01 to 2005-06. Similarly, manufacturing sector grew quite impressively in the first sub period at an annual compound rate of 21.3 per cent. Since then, however, the growth rate declined to 16.1 per cent during 1996-97 to 2000-01 and further to 13.5 per cent since 2000-01. The only sectors that witnessed rise in rate of growth were iron ores and mineral fuels and lubricants. These sectors constitute only small proportion of total exports. Moreover, these have the limitation of supply inelasticity. Therefore, the sustainability of their growth in future is limited.

Within agriculture many of the sectors like cashew kernels; spices; sugar and molasses; fish and fish products; meat and meat products fruits; vegetables and pulses; and miscellaneous processed fruits continued to decline in its rate of growth in successive periods. Others like oil cakes; tobacco; raw cotton; and rice recovered to some extent in the third sub period after the decline in growth rate in the second sub period but could not achieve the rate of first sub period.

Similarly, the performance of the manufacturing sector has been satisfactory over the period 1992-93 to 2005-06, but the continuous decline in its rate of growth is alarming from the viewpoint of economic health of the country. The sectors like textile fabrics and manufactures; chemical

and allied products experienced continuous decline in its rate of growth in second and third sub-period. Gems and Jewellery; leather and leather products; and jute.

Table-2:
Annual Compound Growth Rate and Instability Index (rupee terms)

| S.N. | Commodities | 1980-81 to 1990-91 | 1992-93 to 1996-97 | 1996-97 to 2000-01 | 2000-01 to 2005-06 | 1992-93 to 2005-06 | Instability Index (1980- 81 to 1990- 91) | Instability Index (1992- 93 to 2005-06) |
|------------|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---|--|
| I. | Agriculture, & Allied Products, Of which, | 11.87 | 26.5 | 4.2 | 7.88 | 12.46 | 0.34 | 0.11 |
| 1 | Coffee | 1.65 | 39.5 | -4.5 | -3.9 | 8.6 | 0.42 | 0.35 |
| 2 | Tea & Mate | 9.65 | 1.5 | 17.5 | -2.3 | 5.2 | 0.48 | 0.36 |
| 3 | Oil cakes | 17.16 | 22.6 | -12.5 | 11.2 | 6 | 0.75 | 0.28 |
| 4 | Tobacco | 6.4 | 12.4 | 3.6 | 9.3 | 8.4 | 0.46 | 0.55 |
| 5 | Cashew Kernels | 12.3 | 14.5 | 10 | 5.7 | 10 | 0.52 | 0.89 |
| 6 | Spices | 36 | 32.2 | 7.7 | 2.7 | 13.5 | 0.6 | 0.3 |
| 7 | Sugar & Molasses | -0.5 | 32.1 | -17 | -26 | -6.7 | 0.99 | 0.87 |
| 8 | Raw Cotton | 17.75 | 71.5 | -38.6 | 13.8 | 1.7 | 1.12 | 1.1 |
| 9 | Rice | 7.58 | 34.3 | -1.9 | 22.8 | 17.4 | 0.45 | 0.4 |
| 10 | Fish & fish product | 16.03 | 23.1 | 12.3 | 6.7 | 11.1 | 0.44 | 0.13 |
| 11 | Meat & meat preparation | 9.6 | 28.9 | 20 | 5.1 | 17.6 | 0.39 | 0.13 |
| 12 | Fruits, Vegetables & Pulses | 10.4 | 22.6 | 18.1 | 12.2 | 17.5 | 0.39 | 0.22 |
| 13 | Miscellaneous processed fruits | 19.4 | 27.2 | 2.9 | 2.7 | 10.4 | 1.1 | 0.22 |
| II | Ores & Minerals (excl. coal) | 13.7 | 15.1 | 6.8 | 52.6 | 23.3 | 0.22 | 0.28 |
| 14 | Mica | 6.9 | 1 | 26.5 | -0.4 | 8.4 | 0.24 | 1.11 |
| 15 | Iron | 13.2 | 11.5 | -1.1 | 70.9 | 23.5 | 0.15 | 0.28 |
| III | Manufactured products, Of which, | 20.27 | 21.3 | 16.1 | 13.5 | 16.9 | 1.63 | 2.2 |
| 16 | Textile Fabric & Manufacture (excl. carpet handmade). | 22.03 | 22.1 | - | - | - | 1.46 | 2.7 |
| 16.1 | Cotton Yarn | 17.8 | 29.7 | 9.7 | -2.5 | 11.5 | 0.74 | 0.15 |
| 16.2 | Readymade | 22 | 17.7 | 17.6 | 2.2 | 12.3 | 31.81 | 0.07 |
| 17 | Core Yarn & Manufacture. | 10.9 | 24.6 | 0.5 | 19.8 | 14.5 | 0.11 | 0.17 |
| 18 | Jute Manufacture. | -1 | 11.7 | 14 | 1.3 | 8.8 | 0.19 | 0.15 |
| 19 | Leather & Leather Prod. | 20.9 | 11 | 12.3 | 4 | 9 | 2.27 | 0.06 |
| 20 | Handicrafts | 20.64 | 16.4 | -29 | -4.7 | -7.7 | 0.86 | 0.48 |
| 21 | Gems & Jewellery | 23.85 | 17.3 | 18.9 | 16.3 | 17.5 | 11.35 | 0.27 |
| 22 | Chemical & Allied Products | 25.1 | 30.2 | 18.8 | 17.6 | 22.1 | 1.67 | 1.44 |
| 23 | Machinery tools, iron & steels. | 16.7 | 25.1 | 16.3 | 23.7 | 21.6 | 0.87 | 3.44 |
| IV | Mineral fuels & lubricants. | 42.22 | 4.8 | 48.1 | 37.2 | 28.6 | 1.66 | 1.74 |
| V | Others | -19.2 | 39.1 | 54 | - | - | 0.85 | 0.81 |
| | Total | 17.1 | 22 | 14.4 | 15.5 | 17.2 | 0.37 | 7.7 |

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

Table-3: Annual Compound Growth Rate (in dollar terms)

| S.N. | Commodities | 1980-81 to 1990-91 | 1992-93 to 1996-97 | 1996-97 to 2000-01 | 2000-01 to 2005-06 | 1992-93 to 2005-06 |
|------------|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| I. | Agriculture. & Allied Products, Of which, | 3.1 | 20.25 | -2.2 | 7.9 | 9.4 |
| 1 | Coffee | -6.32 | 32.6 | -10.4 | -3.5 | 8.8 |
| 2 | Tea & Mate | 1.02 | 15.2 | 10.3 | -2 | 0.5 |
| 3 | Oil cakes | 7.9 | 39.4 | -17.9 | 11.6 | 5.7 |
| 4 | Tobacco | -1.9 | 6.7 | -2.7 | 9.6 | 2.7 |
| 5 | Cashew Kernels | 3.5 | 8.9 | 3.2 | 6.2 | 6.5 |
| 6 | Spices | 25.2 | 25.6 | 1.1 | 3.1 | 10.1 |
| 7 | Sugar & Molasses | -8.3 | 25.6 | -22.1 | -25.8 | 0.8 |
| 8 | Raw Cotton | 8.5 | 62.9 | -42.4 | 14.4 | 19.7 |
| 9 | Rice | -1 | 27.6 | -7.9 | 23.3 | 11.6 |
| 10 | Fish & fish product | 6.9 | 17 | 5.4 | 0 | 7.7 |
| 11 | Meat & meat preparation | 1.1 | 22.4 | 12.6 | 5.5 | 16.1 |
| 12 | Fruits, Vegetables & Pulses | 1.7 | 16.6 | 10.9 | 12.7 | 15.5 |
| 13 | Miscellaneous processed fruits | 10.2 | 20.7 | -3.3 | 3.2 | 8.2 |
| II | Ores & Minerals (excl. coal) | 4.8 | 9.4 | 0.2 | 53.2 | 18 |
| 14 | Mica | 1.4 | -3.3 | 18.9 | 0 | 6 |
| 15 | Iron | 4.3 | 6 | -7.1 | 71.6 | 17.4 |
| III | Manufactured products, Of which, | 10.8 | 15.3 | 9 | 13.9 | 13.6 |
| 16 | Textile Fabric & Manufacture (excl. carpet handmade). | 12.4 | 16.1 | ---- | ---- | ---- |
| 16.1 | Cotton Yarn | 8.5 | 23.3 | 3 | -2.1 | 8.6 |
| 16.2 | Readymade | 12.4 | 11.9 | 10.4 | 2.6 | 10.3 |
| 17 | Core Yarn & Manufacture. | 2.1 | 18.4 | -5.8 | 20.4 | 11.8 |
| 18 | Jute Manufacture. | -0.9 | 5.95 | 2.6 | 1.7 | 7 |
| 19 | Leather & Leather Prod. | 11.4 | 5.5 | 5.4 | 4.5 | 1.3 |
| 20 | Handicrafts | 11.1 | 10.6 | -33.6 | -4.3 | -8 |
| 20.1 | Gems & Jewellery | 14.1 | 11.5 | 11.6 | 16.8 | 13.3 |
| 21 | Chemical & Allied Products | 15.3 | 23.7 | 11.6 | 18.1 | 18.1 |
| 22 | Machinery tools iron & steels | 7.5 | 18.9 | 9.2 | 9.2 | 18.1 |
| IV | Mineral fuels & lubricants. | 31.2 | 0 | 39 | 37.7 | 27.1 |
| V | Others | -25.2 | 32.6 | 44.8 | 17.1 | 31 |
| | Total | 7.9 | 15.9 | 7.4 | 15.9 | 14.1 |

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

SUMMING UP-The study reveals that trade policy reforms proved as mixed bag of success and failure. The level of India's exports of agriculture and allied products and of manufactures has increased significantly since the inception of trade policy reforms in 1991. There seemed to be a strong initial response to the liberalization, as most of the growth occurred in initial years of reform period. However, there was significant slowdown in export growth after 1995, though recovered again since 2000. Nevertheless, trade liberalization has significant direct impact on agricultural and manufactured exports.

◆ During the post reform period, i.e. from 1992-93 to 2004-05, the growth of export has not been significantly higher than the pre-reform growth rate in rupee terms. During the period, India's export in rupee terms grew at marginally higher rate (17.3) as compared to 17.1 percent of pre-liberalization period of the 1980s, and in dollar terms, it experienced higher rate of growth of 13.0 percent as compared to 7.9 percent in pre liberalization period.

◆ Sector wise analysis shows that agriculture and allied sector; and ores and mines performed better during the post-reform period. However, the growth rate of manufacturing sector during the post-reform period was lower in terms of rupee, but higher in dollar terms, than the 1980s. Similarly, mineral fuels and lubricant lagged behind the growth achieved during the 1980s.

◆ Rice; meat and meat preparation; fruits, vegetables, and pulses; coffee; and tobacco performed better in the post-reform period. This has also led to higher rate of agriculture and allied export.

◆ High growth rate of iron ores contributed to the higher growth of ores and mines during the period.

◆ In manufacturing sector, it was coir yarn and manufacture; jute manufacture; fuel; and machinery tools, and iron and steel; which have grown at moderately higher rate than pre-reform period.

◆ During the period 1992 to 2004, World export grew at an annual compound rate of 7.5 percent and the export of the developing countries grew at the rate of 10.5 percent per annum. Where as India's export during the same period increased at the rate of 11.4 percent. This led to rise in India's share in world exports from 0.5 percent in 1990 to 0.85 percent in 2005.

◆ When we compare with the growth in India's exports with that of these countries, we find that India's growth has been lower than many of these countries, like China, S. Korea etc. As a result, though India's share in world export has increased during the post liberalization period, the difference in India's share in world exports with these countries has increased.

◆ The overall satisfactory performance during 1992-93 to 2004-05; at aggregate as well as at disaggregate level, mostly owed to growth achieved in the first sub-period, i.e. from 1992-93 to 1996-97. Since then, however, growth rate in most of the sectors were lower than that of the first period.

NOTES AND REFERENCES

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