International Journal of Trade, Economics and Finance, Vol. 1, No. 1, June, 2010
2010-023X

A relaxation of trade restrictions in an imperfectly competitive Indian economy

Ms Rakhi Gupta, Divya Gupta Chowdhry and S. N. P Gupta

***Abstract*—The stabilization and structural adjustment measures, initiated since July, 1991 by now commonly referred to as "Economic Reforms"(Liberalization) mark a watershed in the country's economic policies. For almost three decades since Independence, India's development strategy and economic policy were guided by the objectives of accelerating the growth of output and employment with social justice and equity. The emphasis was on distributive justice, regional balance and alleviation of poverty. However, the paper throws light on the impact of the reforms on the various sectors of the Indian Economy though there is ambiguity in the reforms. The aim of the paper is to argue that one cannot find a developing country that practices complete free trade. It will be shown that all developing countries use some restrictions to protect their domestic firms, and in doing so the paper will focus positive and negative influence of the Liberalization.**

***Index Terms*—Liberalization, prosperity, Global outlook, Indicators, Free Trade**

I. Introduction

It is possible to analyze trade reform in the context of imperfect competition, allowing me to ask again the old question of what the consequences of trade reform are likely to be in developing countries like India but now taking account of the imperfect market economies that characterize them. A hallmark of imperfect competition is that prices exceed marginal costs of production (the latter being defined to include all relevant opportunity costs). A relaxation of trade restrictions in an imperfectly competitive economy can affect welfare in any of four ways (a) by raising the volume of trade [increase in imports as effective import price falls], (b) through the excess profits effect [expansion in sect oral output in sectors which had super-normal profits], (c) through the scale efficiency effect [expansion in firm output in sectors with unexploited scale economies] and (d) through the technical efficiency effect [increase in productivity at the firm level]. In the reality that most developing countries start out in, forces (b) and (c) may conflict with force (a), making it unclear whether the import-competing (formerly protected) sectors see an increase in output or not.

In particular, liberalization can result in an expansion of import-competing sectors under imperfect competition, an outcome that would be most unlikely under perfect competition. In India , the benefits of import liberalization are enhanced by the presence of imperfect competition. Introducing imperfectly competitive markets, issues of policy credibility, and questions of the speed of reform can all be shown to result in a large degree of indeterminacy with respect to the success of the reform. For the case of policy credibility that trade reforms that lack credibility may be unsustainable. A relatively small degree of uncertainty regarding the progress of reform can result in a furthering of macroeconomic instability and how, at the same time, the delay in economic restructuring can block the emergence of new political alliances in favour of reform.

Whilst it is recognized that "the most fundamental argument for international trade is that it enables a country to expand the quantity of goods and services it consumes. Through imports, a country can acquire goods and services that it either cannot produce at home or can produce at home only at a cost that is greater than the cost of obtaining them indirectly by exchanging them for the exports it produces. In other words, through trade, a country can obtain goods and services with greater efficiency by specializing in those activities in which the country has a comparative advantage

For the most part only particular groups can benefit from free trade and not a country as a whole. So if the gains from freer international trade are too small, the country will not be in the position to compensate domestic victims. This applies to the developing countries: the losers of free trade are South East and North

East Asia, South Asia with India, Bangladesh, Pakistan and Sri Lanka, as well as the greatest victim of all Africa.

II. Review of Literatures

Under review of literatures we are going to examine the views of different authors regarding the policies and liberalizatio According to C Rangarajan the new economic policy comprises the various policy measures and changes introduced since July 1991. The thrust of the new economic policy towards creating a more competitive environment in the economy as a means to improving the productivity and efficiency of the system. The private sector is being given a larger space to operate in some of the areas reserved exclusively for the public sector are also now allowed to the private sector. In these areas the public sector will have to compete with the private sector even though the public sector may continue to play the dominant role.

As per the views of T.N.Srinivasan Indian economic

Ms. Rakhi Gupta (Senior Lecturer) Pranveer Singh Institute of Technology, Kanpur affiliated to Uttar Pradesh Technical University, Lucknow India, phone :+91-09839183940, (R) 0512-3266771,(email:rakhigupta15@gmail.com).

Dr. S.N.P Gupta(Reader), Chhatpati .Sahu .Ji .Maharaj University Kanpur (UP) India-Phone 09415511771

Divya G Chowdhry (Research Scholar) , Chhatpati Sahu Ji Maharaj University ,Kanpur(Uttar Pradesh), India

development strategy, particularly relating to industrialization has been driven by perceived foreign exchange scarcities and the desire to ensure that scarce foreign exchange is used only for the purposes deemed "essential" from the perspective of development.

According to Rakesh Mohan view it is believed that if India wants to come out of the darkness then there should be long term economic growth. As per his views it is expected that the progress achieved in the year 1980s should have taught us the lesson that higher economic growth must be the key objective of economic policy , and that it is only higher economic growth that can reduce poverty and provide sustainable economic security. No distribution can take place when there is nothing to distribute. The nation cannot be secure without economic strength and economic strength cannot be achieved without substantial growth.

The main impediment to the achievement of this scenario is the deteriorating fiscal situation of both the state and central governments in India. Government's ability to invest has been declining continuously since the late 1980s because of the deteriorating fiscal position. What is encouraging, of course, is the increase in the private corporate sector investment levels subsequent to the 1991 reforms. The reforms have therefore succeeded in encouraging higher levels of private investment as envisaged.

III. Hypothesis of the Study

For Conducting fair research an alternative hypothesis has been assumed

1) India is a Sovereign State and persons independent rational policies
2) India is a permanent member of the world bodies like WTO, IBRD, IMF, UN and their affiliates.
3) Indian delegates deliberate, contribute in the forum of the world bodies.
4) Indian experts are also appointed on various regional bodies , and supervise the activities , enjoy adequate amount of freedom to protect the interest of the nation.
5) All the members contribute including India have equal rights

IV. Ambiguity in the Effects of Trade Liberalization (India)

While the reforms involve at least as much internal deregulation as opening up to trade, it is useful to illustrate the ambiguity surrounding expected effects of reform with reference to a particular change like trade. Since 1991, trade policy in India has undergone major revisions. Convertibility on the current account is now in force. The import licensing system has been dismantled. All non-tariff barriers to imports (other than consumer goods) have been phased out. Tariff rates have fallen from a maximum of 355 per cent to 50 per cent and the tariff on capital goods is close to zero.

In particular, liberalization can result in an expansion of import-competing sectors under imperfect competition, an outcome that would be most unlikely under perfect competition. In this case, the benefits of import liberalization are enhanced by the presence of imperfect competition. Introducing imperfectly competitive markets, issues of policy credibility, and questions of the speed of reform can all be shown to result in a large degree of indeterminacy with respect to the success of the reform. Good indicators include policy consistency, uniformity (for example, in tariff schedules) and any mechanisms that governments may evolve to signal commitment. Overall, the earlier optimism regarding the potential of trade liberalization has been toned down. Indian Government that understand the limited (and possibly unconventional) role to be played by trade reform are likely to make the most of it; Indian governments that pin on it their hopes for future growth and development are likely to be disappointed.

V. Impact of Economic Reforms

Presenting the central Government's budget for the year, 2007-08, the Union Finance Minister on 28/02/2009 said, "it is now 18 years since economic reforms began in 1991. During this period the economy has grown at an average rate of 6.4% per year since 1992-93 compared to the 5.8% recorded in the 1980s. Poverty has fallen from 36 percent in 1993-94 to 26 percent or less now. Summarizing the impact of the more than decade old reforms, the Minister, asserted" while economic reforms have placed the country on a much more secure and sustainable growth path, we still have sonic, serious concerns and can not afford to be complacent.

As of 2009, about 300 million people — equivalent to the entire population of the entire United States — has escaped extreme poverty The fruits of liberalization reached their peak in 2007, with India recording its highest GDP growth rate of 9%. With this, India became the second fastest growing major economy in the world, next only to China. An Organization for Economic Co-operation and Development (OECD) report states that the average growth rate 7.5% will double the average income in a decade, and more reforms would speed up the pace. Indian government coalitions have been advised to continue liberalization. India grows at slower pace than China. McKinsey states that removing main obstacles "would free India's economy to grow as fast as China's, at 10 percent a year.

A. Review of Investments and FDI

Investment is the driving force of economic growth. When investment with in the country is not adequate to accelerate economic growth. foreign direct investment (FDI) has a crucial role to play. The cumulative F.D.I in flows since 1991 increased to $ 26.89 billion Rs.1,03,636 crores, while approvals were at $ 72.98 billion - Rs. 3,93,126 crores till March 2009 India has received foreign direct investment of US $ 2 to 3 billion last year while China got $ 40 billion in FDI. This is one of the salutary effects of liberalization and globalization. Apart from Delhi, major recipients of FDI had been the states of Maharastra, Gujarat, Karnataka, Andhra Pradesh and Tamil Nadu. However the flow of FDI at US$ 2.26 billion into India in 1998 was far lower than into countries like Singapore (U.S.$ 7.22 billion) China ($ 45.5 billion) and Mexico ($ 7.24 billion). While foreign investment, as a percentage of GDP was almost zero in 1990-91 and 0.1% in 1991-92, its average during 1992-2000 was 1.2 Savings and investment rates have remained more or less stable around 22/23 percent. Further these rates are lower than the comparable rates in Singapore at 51.4% and 34.5% and in China at 42.5% and 38.8% respectively. Moreover the negative rate of savings in the Govt. sector because of revenue deficits is a matter of concern.

For the year 2006, in respect of current competitiveness index (prepared by the World Economic Forum) India's rank was 37 out of 58 countries, in respect of Growth competitiveness index (GCI) India was in the 49th position out of 59 countries, in respect of Emerging Market Index (that measures the market openness of a country) India's rank at 46 was higher than China. In the case of Globalization Index (that measures integration with the rest of the world) the rate of integration during 1993-97 was about 2% per annum. The inference from all these measures is that India is a fairly stable economy. Transport, power, telecommunication, water, sanitation etc., are the principal constituents of infrastructure, which is essential for sustained economic development.

The public sector is much less dominant than it used to be in many critical sectors and its relative position is likely to decline further as government ownership in many existing public sector organizations is expected to substantially decline. It is clear that industrial growth in future will depend largely upon the performance of the private sector and our policies must therefore provide an environment, which is conducive to such growth. …' (cf Government of India, (2006b), Vol. I, pp 7.)

The chart given below gives the insight of the indicators before and after the reforms .

MACROECONOMIC DIMENSIONS

Output

Box 1: Paradigms of Economic Reforms in India Since 1991

Pre-Reforms Period	Post-Reforms Period
1. Quantitative licensing on trade and industry.	1. Abolition of industrial and trade licensing.
2. State regulated monopolies of utilities & trade.	2. Removal of state monopolies, privatization & divestment.
3. Govt. control on finance & capital markets.	3. Liberalization of financial & capital markets.
4. Restrictions on foreign investment and technology.	4. Liberal regime for FDI, portfolio investment, foreign technology.
5. Export promotion and export diversification.	5. Import substitution and export of primary goods, No import bias.
6. High duties & taxes with multiple rates.	6. Reduction and rationalization of taxes and duties dispersion.
7. Sector-specific monetary, fiscal and tariff policies.	7. Sector-neutral monetary, fiscal and tariff policies.
8. End-use and sector-specific multiple interest rates.	8. Flexible interest rates without any end - use or controlled interest rates sector specifications.
9. Foreign exchange control, no convertibility of rupee.	9. Abolition of exchange control, full convertibility on current account.
10. Multiple and fixed exchange rates.	10. United and market determined exchange rates.
11. Administered prices for minerals, public utilities.	11. Abolition of all administered prices essential on goods except for few strategic sectors.
12. Tax concessions on exports and saving.. s	12. Rationalization of structure, and concessions being phased out.
13. Explicit subsidies on food, fertilizers, and some strategic sectors.	13. No significant change, budget subsidies on LPG essential items and kerosene introduced.
14. Hidden subsidies on power, urban transport.	14. No significant change.
15. General lack of consumer protection and other rights.	15. Acts governing consumer rights, Intellectual Property Rights, independent other rights regulatory authorities and other.
16. Central planning, discretionary process - high.	16. Decentralization, sound institutional framework, degree of civil service reforms..
17. Outdated Companies Act.	17. No change.
18. No exit policy for land and labour.	18. No change in labour policy, slow progress of reforms in land markets.
19. Outdated legal system.	19. No change.

Source: Das (2008)

After independence, the output of the Indian economy (i.e. Gross Domestic Product or GDP) stagnated around an average growth of 3.5 per cent per annum during three decades, (i.e. 1950 to 1970). This is sometimes referred to as the 'Hindu Rate of Growth'. This trend changed in the eighties, when output growth per annum was around 5.6 per cent. However, this growth rate could not be sustained due to an accumulation of imbalances on account of fiscal and external sectors, i.e., high fiscal and current account deficit, a significant level of external debt, weakening of the financial system, etc. These imbalances led to unprecedented external payment crises in 1991. India's foreign exchange reserves position fell to such an extent that it was unable to pay for more than two weeks of imports.

The fresh data comes against the backdrop of leading industry chambers asking the government to set up a $7-$8 billion fund with reserve money available as foreign exchange to invest in Indian securities and debt markets.

B. Constructive Impacts Of Liberalization

The reforms covered trade and industrial policies, the exchange rate, tax and foreign investment policies and the banking system. The launching of a truly liberalized trade regime, with a two-step devaluation of the rupee in 1991 leading later to market-determined exchange rate, and the ushering in of a conducive climate for foreign investment inflows, have had a dramatic impact on the country’s external transactions. As far as the positive impacts are considered , liberalization has also improved the situation of employment in the country. In order to improve the position of the employment in the country, Indian government has initiated various labor programme. Some of them are National Rural Employment Guarantee Act (NREGA) , Prime Minister's

Rozgar Yojana (PMRY), Rural Employment Generation Programme (REGP) , Sampoorna Grameen Rozgar Yojana (SGRY), Training of Rural Youth for Self-Employment (TRYSEM).

Liberalization and globalization has brought a drastic change in the way people think in imperfect economy like India.. With the changing pattern of earning money there has been a great change in living style of the Indians. With the opening of the Indian culture because of large some of money people have started splurging on cars, giant flat TV screens, expensive cell phones. Indians are so inspired by the technology and fashion that these electronic gadgets go out of fashion soon and still they do not hesitate to splurge on them again.

Another positive impact of the liberalization (free trade) is that it has facilitated the access to financial institutions. Specially the weaker section don't have the access to the financial institutions .The rural or the literate people shy approaching financial institutions and this is the case with the urban poor. The scene before liberalization was that there was not easy to access the financial institutions but after liberalization the scenario of access to financial resources changed. The Indian banking sector has acquired a greater degree of resilience due, inter alia, to the financial reforms implemented in a gradual and sequential manner within a participative process aimed at reduction in statutory presumption's, while stepping up prudential regulations and adopting international best practices taking into account the India-specific conditions at the same time. An assessment of the banking sector performance shows that banks in India have experienced strong balance sheet growth in the post-reform period in an environment of operational flexibility. The financial sector followed in India is aimed at providing access to formal banking to a large section of socially and economically excluded segment of population and improving its social/economic statu -

In another words we can say that with liberalization ,consumers belonging to the weaker section of society enjoy better access to financial institutions including the purchase of consumer durables for example :0% car loan facility or facility of paying loans on easy installments. Earlier goods were not easily available to the weaker section of society. One had to press really hard to purchase the consumer goods .For example earlier if any body had to purchase a car they had to book it in advance (lead time used be very long)but with the reforms hitting the Indian economy such problems have been removed .But due to change in industrial policy automobiles are available in plenty, Banks are forthcoming to help the consumers even if you don't have money.

Thus Free trade has always been a controversial issue and it has often created unnecessary conflicts between its supporters and its opponents. The issue of globalization has also certainly raised concerns within the community of nations and civil society whenever the notion of free trade is raised. In summary, this paper has argued that there are gains and losses to India in respect to free trade.

C. Impact on consumers and producers

It should be noted that in the post reform era, though the consumer has not become the "king" his importance has increased. He has a wide variety of goods, particularly consumer durables to choose among competing products at fairly competitive prices. In several cases the service attached to the products has also improved. The exhibitions and "melas" that are organized for most part of the year in several parts of the country is proof positive of the effort to woo the consumers, who were earlier confronted with a sellers market. But then the importance of sovereignty of the consumer depends on the quantum of the purchasing power he commands. While those who are fortunate to have a job to sustain themselves are in a fairly comfortable position, for those who expected to get a secure and stable government job of any description, life seems to have become a nightmare. On a rough estimate for every 100 persons that are employed in the organized sector, more than 142 persons are waiting to be employed without any guarantee that even when posts fail vacant (on account of retirement or other reasons) they would be filled because of the policy of the right sizing the government. Unemployment is the one word that no one in the Govt. dared to utter in recent months.

The Task force on employment opportunities under the chairmanship of Sri Montek Singh Ahiuwalia appointed by the Planning Commission, in its Report, submitted in June 2007-08, furnished the following facts regarding unemployment and employment. Its conclusions are depressing.

	Variable	1993-94	1999-2009
1.	Total employment	375 Million	399 Million
2.	Unemployment rate as measured on the basis of current daily status C.D.S	6 %	7.3 %
3.	Rate of growth of employment per annum	2 % (1983-93-94)	1 % (93-94-99-2K-2K8)
4.	Number of employed workers in the agriculture sector in Millions	242	238

Unemployment rate in 2009 in India 7.20% and India ranks 89th in the world.There has been a change of -7.69% since the 2007.

Regarding the quality of employment the Task Force said

'Large Numbers of those currently employed according to the N.S.S. definition, earned income levels which are insufficient to take them above the Poverty line. About 8.7 million persons enter the market for employment every year but the Employment - G.D.P elasticity is 0.22 only. So what is needed is a G.D.P. growth rate of 8 to 9 percent over the next 10 years if we want to see a significant improvement in the employment situation. It was Jobless growth and Joyless growth.

For producers, the days of complacency and sellers markets seem to be disappearing. To produce properly and wisely, quality goods at competitive prices or to perish seem to be the choice open to them. The days of protectionism are almost over. Buyers are no longer passive and are more knowledgeable than at any time. Markets have become global. Trading environment, power and expectations of buyers have changed. So the producers and traders should be willing to take up the challenges or else will be pushed to the wall. As Dr. Y.V. Reddy wrote tomorrow's problems cannot be solved with yesterday's strategies and can not be even understood with day before yesterday's knowledge. Hence the need for "Vivekavardhini" & "Vivekavyapti". Similarly we must remember that "Sparadhaya Vardhate Vidya" - Cut throat competition and not all round altruism is the characteristic of business. If education is the basis for empowerment and prosperity it is necessary to discriminate between good and bad and take the right decisions at the right time ("Sadasadviveka Chatliuratha" is Education) with the help of strong institutions. Honesty is the best policy is not only an ethical proposition, but a business proposition.

That the economy is poised for growth and is on the road to prosperity are not in doubt. How high the rate of growth will be, depends on all of us governance, people and proper exploitation of resources. Even for 2010-11 the GDP growth rate is expected to be around 8% in spite of the known constraints. Given political stability and peace it should not be difficult to achieve growth rate of 7 to 9 percent in the next decade. But, Govt. should ensure (the old adage) that death and taxation are the only certainties in the world in the sphere of resource mobilization through proper tax collection. Effective tax collection and expenditure management are the prerequisites for growth, among others.

D. Negative impacts of liberalization

Free trade has always been a controversial issue and it has often created unnecessary conflicts between its supporters and its opponents. The issue of globalization has also certainly raised concerns within the community of nations and civil society whenever the notion of free trade is raised.The negative impact of the reforms have been seen in the form of brain drain from the country. In the mean time India is facing acute shortage of talents in the fields of science, engineering and technology. On the other hand the US and UK engineers work on their own technical field and they shift the dirty but talent-needed IT work to countries like India. India faces shortage of people for high-end industrial work that is based on research and development. The resources of the country have not been able to get fully utilized. The public and the private sector does not cares for the scarcity of resources that leads to improper allocation of resources for ex the best quality of rice is exported There has been war among unequal. Competition means the survival of the fitess. The one who can perform will stay rest will perish due to the opening of the Indian to the rest of the world. There has hardly remain any difference between domestic and foreign trade. Foreign products are a common sight or easily available in cities. Indian firms having an obsolete technology are unable to compete with their counterparts

So far it seems that India has passed through easiest stages of economic reforms. Available pool of qualified personnel is already engaged in world economy, and new projects haven't heavily endangered interests of peasantry, small business and local competition. In order to keep modernization going on, India should focus on infrastructure projects, on improving education and healthcare, and on liberalizing legal regulations within land, capital and labor markets.

VI. INDIA'S TRADE BASKET

Trade liberalization, financial liberalization, tax reforms and opening up to foreign investments were some of the important steps, which helped Indian economy to gain momentum. The Economic Liberalization introduced by Man Mohan Singh in 1991, then Finance Minister in the government of P V Narsimha Rao, proved to be the stepping-stone for Indian economic reform movements. The chart given below shows the current status of the Indian Economy .After the reforms many notable changes have been noticed and as a result of it India stands in a better position as of now.

Statistics	
GDP	$1.209 trillion (2008 est.)
GDP growth	6.7% (2009) and 7.9 in Q2 -2009
GDP per capita	$1016

GDP by sector	agriculture: 17.2%, industry: 29.1%, services: 53.7% (2008 est.)
Inflation (CPI)	7.8% (CPI) (2008)
Population	22% (2008)
Labour force	523.5 million (2008 est.)
Labour force by occupation	agriculture: 60%, industry: 12%, services: 28% (2008)
Unemployment	7.2% (2007 est.) 6.8% (2008 est.)
Main industries	textiles, chemicals, food processing, steel, transportation equipment, cement, mining, petroleum, machinery, software
External	
Exports	$175.7 billion f.o.b (2008 est.)
Export goods	petroleum products, textile goods, gems and jewelry, engineering goods, chemicals, leather manufactures
Main export partners	US 15%, the People's Republic of China 8.7%, UAE 8.7%, UK 4.4% (2008)
Imports	$287.5 billion f.o.b. (2008 est.)
Import goods	crude oil, machinery, gems, fertilizer, chemicals
Main import partners	People's Republic of China 10.6%, US 7.8%, Germany 4.4%, Singapore 4.4%
Public finances	
Public Debt	$163.8 billion (2008)
Revenues	$153.5 billion (2008 est.)

Expenses	$205.3 billion (2008 est.)

Main data source: CIA World Fact Book
All values, unless otherwise stated, are in US dollars

To maintain its current status and to achieve the target GDP of 10% for financial year 2009-10, Indian economy has to overcome many challenges. It is difficult time for India. US recession threatens to hit hard the economy. Investments are shrinking owing to global meltdown but in spite of that India notices a GDP growth of 7.9% in Q2 (second quarter)that is from July to September 2009.Terror strikes and internal conflicts further make the business environment tense, rather unfavorable. India has been selling itself as 'Incredible India' to outsiders. What we need now is a more credible India.

VII. India's Share in The World Trade

According to the latest data published in the World Trade Statistics by the Geneva-based World Trade Organisation (WTO), India's share in total world trade, which includes trade in both merchandise and services sector has gone up from 1.1 per cent in 2004 — i.e., the initial year of the five-year Foreign Trade Policy (2004-09) to 1.5 per cent in 2006.

The direction of change of trade also an indicator of development .As an economy grows it seeks new outlet for its exports and new sources of imports. It no longer remains dependent on future countries of for foreign trade.

The value of India's exports to and import from major regions/countries are given in tables below. During the first 9 months of the current fiscal, Asia and Oceania region comprising South Asian, East Asian, Mid-eastern and Gulf countries accounted for nearly 45.72% of India's total exports. Share of West Europe and America in our exports stood at 23.7% and 21.9% respectively. In fact the share of Asia and Oceania in India's exports during April-Dec 2007-08 has increased compared to the share last year, as also the shares of regions like Africa, EU and East Europe. On the contrary shares of North America, South America and Caribbean countries in India's total export showed a decline during this period.

As far as individual countries are concerned, USA, with a share of 18.75% of our exports, remained the most important export destination during April-Dec 2003-04, followed by United Arab Emirates (7.46%), Hong Kong (5.43%), UK (4.81%) and Germany (3.92%).

In the case of import also, share of Asia and Oceania in India's total import was highest at 33.65% during April-Dec 2007-08, followed by West Europe (23.82%) and America (9.03%). Coming to individual countries, the share of USA in our imports stood at 6.57% followed by Belgium (4.23%), UK (4.03%) and Germany (3.83%).

The trends in India's export to and import from different regions are given in . During April to December , 2007-2008 Asia Oceania accounted for the highest growth in India's export at 16.4% over the corresponding period of the previous year followed by West Europe (10.7%), Africa (8.8%), East Europe (7.2%). The entire America region registered negative growth of 4.5%.

Direction of India's Foreign Trade - Exports

(US $ million)						
Group/Country		**April-October**			**Percentage Variation**	
		2006-07	**2007-08**	**2008-09**	**(3)/(2)**	**(4)/(3)**
1		2	3	4	5	6
I.	**O E C D Countries**	**25,330.5**	**29,318.6**	**33,808.1**	**15.7**	**15.3**
	A. E U	**12,183.5**	**14,224.0**	**17,260.6**	**16.7**	**21.3**
	of which:					
	1. Belgium	1,610.3	1,889.0	2,364.3	17.3	25.2
	2. France	1,170.5	1,200.3	1,339.0	2.5	11.6
	3. Germany	1,914.3	2,199.4	2,680.5	14.9	21.9
	4. Italy	1,324.1	1,963.0	2,155.0	48.2	9.8
	5. Netherland	1,314.5	1,395.3	2,448.9	6.1	75.5
	6. U K	2,816.8	3,099.9	3,652.3	10.1	17.8
	B. North America	**10,329.6**	**11,650.1**	**12,617.5**	**12.8**	**8.3**
	1. Canada	571.0	654.0	702.6	14.5	7.4
	2. U S A	9,758.6	10,996.2	11,914.8	12.7	8.4

	C. Asia and Oceania	**1,928.8**	**2,481.4**	**2,613.7**	**28.7**	**5.3**
	of which:					
	1. Australia	488.0	524.6	665.6	7.5	26.9
	2. Japan	1,343.4	1,507.4	1,867.7	12.2	23.9
	D. Other O E C D Countries	**888.6**	**963.1**	**1,316.3**	**8.4**	**36.7**
	of which:					
	1. Switzerland	275.9	241.7	333.6	-12.4	38.0
II.	**O P E C** of which:	**8,024.7**	**12,032.2**	**14,859.8**	**49.9**	**23.5**
	1. Indonesia	733.8	1,013.6	930.9	38.1	-8.2
	2. Iran	580.7	977.7	1,400.9	68.4	43.3
	3. Iraq	53.0	111.5	113.4	110.5	1.6
	4. Kuwait	294.0	351.8	361.5	19.6	2.8
	5. Saudi Arabia	1,025.1	1,394.1	1,931.2	36.0	38.5
	6. U A E	4,513.0	7,144.5	8,853.2	58.3	23.9
III.	**Eastern Europe** of which:	**1,109.0**	**1,347.2**	**1,822.5**	**21.5**	**35.3**
	1. Romania	46.6	70.5	160.4	51.4	127.6
	2. Russia	417.1	489.1	490.9	17.3	0.4
IV.	**Developing Countries** of which:	**22,051.9**	**28,122.6**	**35,330.1**	**27.5**	**25.6**
	A. Asia	**17,221.1**	**20,754.2**	**25,375.2**	**20.5**	**22.3**
	a) S A A R C	**3,138.8**	**3,678.5**	**4,489.2**	**17.2**	**22.0**
	1. Bangladesh	901.5	919.8	1,221.4	2.0	32.8
	2. Bhutan	58.7	27.7	45.8	-	65.0
	3. Maldives	41.8	39.4	46.7	-5.6	18.5
	4. Nepal	482.7	546.9	668.0	13.3	22.2
	5. Pakistan	327.0	789.3	980.9	141.4	24.3
	6. Sri Lanka	1,251.3	1,263.4	1,390.2	1.0	10.0
	7. Afghanistan	75.9	91.9	136.1	21.1	48.1
	b) Other Asian Developing Countries Of which:	**14,082.3**	**17,075.7**	**20,886.1**	**21.3**	**22.3**
	1. People's Rep of China	3,382.3	4,015.5	4,577.7	18.7	14.0
	2. Hong Kong	2,722.6	2,633.3	3,519.8	-3.3	33.7
	3. South Korea	899.8	1,267.1	1,266.1	40.8	-0.1
	4. Malaysia	606.7	688.1	1,225.5	13.4	78.1

	5. Singapore	3,284.2	3,846.5	3,801.5	17.1	-1.2
	6. Thailand	584.5	795.4	987.1	36.1	24.1
	B. Africa Of which:	**3,048.2**	**4,975.0**	**6,885.3**	**63.2**	**38.4**
	1. Benin	56.3	82.7	129.9	46.9	57.1
	2. Egypt Arab Republic	341.3	379.6	751.8	11.2	98.1
	3. Kenya	269.9	877.1	641.5	225.0	-26.9
	4. South Africa	872.2	1,365.0	1,453.3	56.5	6.5
	5. Sudan	177.4	234.8	211.0	32.4	-10.2
	6. Tanzania	138.0	169.7	321.0	23.0	89.1
	7. Zambia	38.5	68.0	90.0	76.8	32.3
	C. Latin American Countries	**1,782.6**	**2,393.4**	**3,069.6**	**34.3**	**28.3**
V.	**Others**	**57.4**	**61.1**	**75.6**	**6.4**	**23.9**
VI.	**Unspecified**	**95.6**	**69.8**	**221.3**	**-27.0**	**217.2**
	Total Exports	**56,669.2**	**70,951.4**	**86,117.4**	**25.2**	**21.4**

Source : DGCI & S.

Direction of India's Foreign Trade-Imports

(US $ million)						
Group/Country		**April- October**			**Percentage Variation**	
		2006-07	**2007-08**	**2008-09**	**(3)/(2)**	**(4)/(3)**
1		2	3	4	5	6
I.	**O E C D Countries**	**27,569.6**	**33,615.4**	**44,596.3**	**21.9**	**32.7**
	A. E U of which:	**12,912.3**	**14,559.6**	**18,678.4**	**12.8**	**28.3**
	1. Belgium	2,976.5	2,285.8	3,065.2	-23.2	34.1
	2. France	886.1	1,198.4	1,366.6	35.2	14.0
	3. Germany	3,286.3	4,150.5	5,163.3	26.3	24.4
	4. Italy	1,020.7	1,460.7	2,070.5	43.1	41.7
	5. Netherland	620.9	624.5	922.8	0.6	47.8
	6. U K	2,387.6	2,292.5	3,003.5	-4.0	31.0
	B. North America	**5,118.8**	**6,666.9**	**8,845.7**	**30.2**	**32.7**
	1. Canada	559.2	731.8	1,020.6	30.9	39.5
	2. U S A	4,559.6	5,935.2	7,825.0	30.2	31.8
	C. Asia and Oceania of which:	**5,007.4**	**6,792.3**	**8,769.4**	**35.6**	**29.1**
	1. Australia	2,891.9	4,099.7	5,037.8	41.8	22.9
	2. Japan	2,016.8	2,534.7	3,532.0	25.7	39.3

	D. Other O E C D Countries Of which:	**4,531.1**	**5,596.5**	**8,302.8**	**23.5**	**48.4**
	1. Switzerland	4,309.5	5,274.7	6,817.1	22.4	29.2
II.	**O P E C** of which:	**6,669.3**	**33,608.2**	**39,784.4**	**403.9**	**18.4**
	1. Indonesia	1,733.1	2,092.5	2,725.3	20.7	30.2
	2. Iran	430.9	4,491.5	5,587.9	942.4	24.4
	3. Iraq	1.2	3,517.8	3,319.8	-	-
	4. Kuwait	231.2	3,472.0	3,610.8	1,401.7	4.0
	5. Saudi Arabia	870.8	8,491.6	9,669.6	875.2	13.9
	6.U A E	2,864.6	4,997.0	7,273.3	74.4	45.6
III.	**Eastern Europe** of which:	**2,341.3**	**2,405.6**	**2,950.9**	**2.7**	**22.7**
	1. Romania	192.6	121.3	256.9	-37.0	111.8
	2. Russia	1,260.1	1,059.9	1,332.2	-15.9	25.7
IV.	**Developing Countries** of which:	**21,225.6**	**34,196.1**	**44,987.3**	**61.1**	**31.6**
	A. Asia	**16,963.9**	**27,151.5**	**35,669.1**	**60.1**	**31.4**
	a) S A A R C	**778.9**	**889.5**	**960.4**	**14.2**	**8.0**
	1. Bangladesh	59.3	139.4	148.0	135.1	6.1
	2. Bhutan	39.2	67.7	116.9	72.8	72.6
	3. Maldives	1.0	1.9	2.3	-	-
	4. Nepal	221.5	162.1	220.3	-26.8	35.9
	5. Pakistan	100.6	192.5	149.4	91.4	-22.4
	6. Sri Lanka	327.3	297.7	277.2	-9.1	-6.9
	7. Afghanistan	30.0	28.1	46.4	-6.3	64.8
	b)Other Asian Developing Countries Of which:	**16,185.0**	**26,262.0**	**34,708.7**	**62.3**	**32.2**
	1. People's Rep of China	5,990.3	9,471.6	15,309.5	58.1	61.6
	2. Hong Kong	1,296.2	1,425.9	1,608.8	10.0	12.8
	3. South Korea	2,483.2	2,816.9	3,227.7	13.4	14.6
	4. Malaysia	1,388.8	3,186.0	3,430.7	129.4	7.7
	5. Singapore	1,789.8	3,208.1	4,179.8	79.3	30.3
	6. Thailand	711.3	953.6	1,390.1	34.1	45.8
	B. Africa of which:	**2,806.1**	**4,280.3**	**6,090.2**	**52.5**	**42.3**
	1. Benin	65.9	64.5	57.3	-2.1	-11.1
	2. Egypt Arab Republic	163.2	1,106.9	1,135.6	578.2	2.6
	3. Kenya	29.0	33.3	50.4	14.8	51.5
	4. South Africa	1,501.5	1,638.9	2,349.3	9.2	43.3
	5. Sudan	19.3	48.9	150.3	152.6	207.4
	6. Tanzania	32.4	24.6	38.9	-24.1	58.1

	7. Zambia	21.7	71.4	60.8	-	-14.8
C.	**Latin American Countries**	**1,455.6**	**2,764.3**	**3,228.0**	**89.9**	**16.8**
V.	**Others**	**17.8**	**35.3**	**45.4**	**98.2**	**28.6**
VI.	**Unspecified**	**24,547.4**	**269.5**	**371.2**	**-98.9**	**37.7**
Total Imports		**82,371.1**	**104,130.1**	**132,735.4**	**26.4**	**27.5**
Source: DGCI & S.						

It is evident from the analysis of the above that direction of India's foreign trade has changed upto a great extent if we compare the two periods that is before the disintegration of USSR and afterwards and also before liberalization that is 1990 and the post liberalization that is after 1991

As far as merchandise trade alone is concerned, India's share in global merchandise trade may increase from 1.2 percent in 2006 to 1.5 percent in 2009. India's share in the global trade is likely to go up to two per cent in 2009 from 1.5 per cent in 2006 on the back of fast growth in goods and services trade.

In the Foreign Trade Policy announced by Kamal Nath in August 2004, a medium term horizon for India's export growth was envisaged and as part of this, the share of India's merchandise trade in world trade was targeted to double in 2010.The National Trade Policy of 2004-09 has taken an integrated approach to serve as a generator of economic growth and employment to help achieve the country's development objectives

VIII. Limitation of the Study and Future Studies

The limitation of the study is that it is based on some assumptions and the data has been collected through the secondary sources. Different people think in different manner. A glass of water may seem half empty to one and half full to the other . India has experienced the positive response from the reforms but there have been many negative impacts too some of which may not have found space in the paper. I just hope that the findings given above may give impetus to further research.

Acknowledgements

While preparing this paper we would like to thank Mrs Geeta Gupta and Mr Surrendra Chowdhry for their constant support. My mentor Professor M Khan for making my concepts so clear and helping me in writing this paper. I would sincerely thank my mother Mrs. Geeta Gupta for her constant support and motivation. My special acknowledgement to Dr. S.J. Pandey(Director), Mr Pranveer Singh(Chairman of PSIT) and Dr H.K Sehga l(Hon'ble VC of CSJM University, Kanpur) .At last Thank GOD for giving me courage and confidence to do what I want to do.

References

[1] Economics and Statistics. Vol. 43. No.2: pp. 201-206.
[2] Leamer, E. and Stern,S. (1970). Quantitative International
[3] Economics. Aldine Publishing Company. Chicago.
[4] "Analysis of sectors". Journal of Development Studies. Vol. 21. No. 2, pp. 244-252.
[5] Business Environment : Raj Agarwal (Excel Publications) pp 215-222, Reserve Bank of India. (2007). Handbook of Statistics on Indian Economy. RBI: New Delhi.
[6] Newspapers like Times of India
[7] Webliography
[8] http://www.indexmundi.com
[9] http://www.ficci.com
[10] http://www.bcstats.gov
[11] http://www.international.gc.ca