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Trade performance of India: Since reforms

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Abstract
The era of liberalization aimed to increase the efficiency and international competitiveness of industrial production and to utilize for the purpose of foreign investment and foreign technology to a greater degree than in the past. The unnecessary limitations and tariff are withdrawn for the smooth export and made economy more open to the world. Another objective of the policy is to make economic stabilization by substantially reducing fiscal deficit. Compared to last decade the improvement in the trade is quite worthwhile. The economy showed a positive trend and thus the Balance of payment also improved. The current account deficit and the GDP debt ratio also declined considerably. The liberalization measures had shifted the direction, composition, quantity of the same in to a different magnitude.

Keywords: Trade performance, efficiency, international competitiveness, foreign investment

Introduction
The government of India Introduced a series of reforms giving thrust to the openness, and export promotion and import liberalization. It is observed that most of the traditional exports have been hit by the liberalization measures and also reveals that the thrust areas of export have been shifted to items like chemicals and higher value-added items. The measures of import duty concession for the material inputs and granting of export concession have enabled to lower the cost of production. Likewise, the reforms have enhanced India's competitiveness in labour and skill–intensive industries and reduced the dependence of competitive industries on inefficient domestic suppliers and infrastructures and enhanced domestic competitive conditions. Moreover, it is also observed that the liberalized policy environment made a trade expansion towards Intra Industry Trade. Murali Patibandla, 1988, Pulapre Balakrishnan 2011, Zainab M Khuran 1995, G Ramakrishna, 2003, Aruna Kumar Dash 2004, Samba Siva Rao, 2005, G Bharathi Kamath, 2007 [1, 2, 3, 4, 5, 6, 7]. At the same time it is observed that liberalization and structural adjustment policies even at the cost of the ever-increasing public debt burden for future generation not achieved the desired results, and the productivity growth and efficiency level not improved as per expectations during the post-reform period and the distribution of efficiency is also skewed (Chiranjeebi Neogi and Budhdeb Ghosh 1998) [8]. Apart from these arguments, the major highlight of the liberalization is that, it has made a diversification in products, technological improvements as well as the changes in the direction of international trade. Thus it is quite worthwhile to make an overview of the trade liberalization experience of India.

India and Global trade
The economic and trade reforms of the 1990s made structural changes in the composition and direction of exports. Certain international factors like the dismantling of Soviet Union, recession in Europe also contributed towards this trend.It is visible that, the terms of trade have been deteriorating year after year due to increase in imports and this increase in imports offsets the increase in the export. The very principle of liberalization was to improve the balance of trade providing an impetus to the import of the export oriented products. But the results show that import of the consumer goods has been improved.

Exports of India: Commodity Composition -an overview
From table.1, it is seen that, the share of primary products exports declined significantly over the period1989-90 to 2014-15. In 1989-90 the primary products contributed 23.37 percent of the total export.

The share has declined to 14.96 percent in 2011-12 and growth rate also fell down. This trend is attributed to the strict quality restriction of importing countries, high cost of production and the weak competitiveness.

Table 1: Percentage share of Export of Principal Commodities

Products	Share								
	1989-90	1994-95	1999-00	2004-05	2009-10	2011-12	2012-13	2013-14	2014-15
Primary products	23.37	19.80	17.71	15.39	14.76	14.96	15.49	15.40	10.27
Manufactured goods	72.06	77.49	80.69	73.40	64.43	61.31	60.96	61.45	63.32
Petroleum products	2.51	1.58	0.1	8.57	15.74	18.25	20.25	20.05	20.21
Others	2.04	1.11	1.47	2.63	5.02	5.46	3.33	3.08	6.20

Source: RBI Hand Book of Indian Economy from 1989-90 to 2014-15.

With the exception of a few commodities like rice, cotton, tea, coffee, oilseeds, oil cakes, tobacco and spices, the share of agricultural exports of India in the world trade insignificant. The share is particularly low in the world trade of fish, meat, chicken, vegetables and fruits. India has made substantial strides in the world production of many agriculture products. Compared to the pre liberalization era, the export growth of tea (0.28), coffee (0.31) and Cashew (0.30) is declining continuously. Due to increase in supply of tea from Kenya and Vietnam, there is stagnation in tea import of traditional tea importing countries such as U.K. Also the aggressive marketing strategy by Kenya and Vietnam led to a decline in India’s global tea competitiveness and poor performance of tea exports. Fluctuating international prices and decreasing unit value realization, especially in the post-reform period is the challenging factor of coffee export of India. The international quality agreement and competition from Vietnam and Brazil hit Indian cashew exports severely.

Next to the primary products, manufactured products need special mention which is comprised of Chemical and allied products, Engineering goods, readymade garments, textile yarn, fabrics and gems and jewellery. It was Textile and Textile products contributed considerable share in the 90s. But the share has declined drastically after reform. Both in the first and second half of liberalization, the Engineering goods made a positive move of 11.61 percent and 25.18percent respectively. The export of handicrafts witnessed a negative trend especially in the second half of liberalization. Despite the existence of a strong production base and a massive workforce, India has not been able to capture the existing opportunities in the handicraft sector. The main factor for this trend is exporter’s inability to identify potential market. Other than this, the number of constraints faced by the various manufacturing sub-sectors are common, which include stiff competition from other emerging market economies, especially China, high cost of funds, low technology intensity, inadequate infrastructure, scarcity of skilled and semi-skilled manpower, high input costs, high transaction costs and the slowing down of world demand.

India's shipment of engineering goods has increased almost eight fold in the last decade to become the biggest item of exports. The recent trends however indicate that Transport equipment shares a major share having 6.86 percent. Both in the pre and post liberalization, it is experienced that he readymade garment made major share even though it has declined from 11.66 percent to 4.49 in 1989-90 and 2011-12 respectively and the declining trend isdue to the stiff competition from China. Thus it can be deducted that, the share of primary products and manufacture products are declining and petroleum products are increasing tremendously. The strict quality control of the importing countries is the main factor for the declining trend of Indian primary products. And it was said that the manufactured products are not able reap the benefits of liberalization fully. The rising trend of export of the petroleum products indicates the improved refining capacity of India.

Import of India: Commodity Composition -an overview

The structure and pattern of India’s imports has changed since the opening of economy to the rest of the world. Shift from import substitution and the promotion of trade relying on the policy distinction between essential imports and the non-essentials made a significant change in the import. The following table elicits the percentage share of import of principal commodities.

Table 2: Percentage share of Import of Principal Commodities

Products	Share								
	1989-90	1994-05	1999-00	2004-05	2009-10	2011-12	2012-13	2013-14	2014-15
Petroleum, Crudeand Products	20.52	20.68	25.39	26.76	30.21	31.94	33.42	36.69	38.45
Bulk Consumption Goods	2.64	3.99	4.86	2.78	3.12	2.37	2.89	2.56	2.96
Other Bulk Item	15.86	14.82	9.29	8.47	9.76	9.85	9.38	8.72	8.63
Capital Goods	28.16	26.65	18.04	22.53	22.84	20.30	19.32	18.92	19.36
Mainly Export Related Item	14.33	15.06	18.35	15.32	10.84	11.13	9.55	10.87	11.21
Others	18.46	18.77	24.04	24.10	22.86	24.68	25.40	22.21	23.94

Source: RBI Hand Book of Indian Economy from 1989-90 to 2014-15

The commodity wise analysis reveals that, Petroleum remains as the dominant item in the import bill of India. Likewise, the import of Capital and other intermediate goods has emerged as the leading products mainly as it is aiming for re- export. The increase in the import of petroleum and crude product’s share ranges to38.45 percent in 2014-15. When sugar indicated a high growth rate of 49.54 percent in 2011-12, pulses showed slow growths. It is important to note that, the import of electronic goods reached a significant share which was almost zero in the 1990s.

Moving to the shares in the import of other bulk items, majority of them made decline in the following years compared to the 90s. It is Crude Rubber, including synthetic and reclaimed which claims 17.01 fold growth in the import in 2011-12.At the same time, the import of iron and steel has declined. One of the notable features is the import of gold and silver was nearly zero in the 90s and it has increased to 12.53 percent in 2011-12 and reached a major item in the import of other major importing items with a growth rate of 86.65 percent. Thus it was seen that, share of petroleum and crude products are increasing in the import bill mainly due to the improved developmental requirements and the declining trend import of capital goods indicates the improved industrial capacity of India.

Region wise Export and Import of India: an overview
There was a structural shift is visible in the direction during the last two decades. The trend and magnitude was shifted to the developing economies and it has declined towards the conventional market. The export share towards UK and Germany has declined whereas towards Saudi Arabia and Netherland has improved.

Table 3: Percentage share of region wise Distribution of India's export

Regional Groups	Share							
	1989-90	1994-95	1999-00	2004-05	2009-10	2011-12	2013-14	2014-15
OECD	55.9	58.65	57.32	43.68	35.88	33.80	34.65	35.21
OPEC	6.65	9.22	10.57	15.80	21.06	19.02	17.72	18.14
Eastern Europe	19.27	4.01	3.51	21.31	1.00	1.06	1.12	1.10
Developing Countries	15.60	26.46	28.40	37.82	39.21	40.71	43.39	43.93
Other	2.55	1.63	0.18	0.54	2.83	5.38	0.07	0.29

Source: RBI Hand Book of Indian Economy from 1989-90 to 2014-15

From table: 3 it is observed that, the export to OECD countries has been declining due to the drift in the export share to the European Union and Japan. The export share towards USA, OPEC and Latin American countries has increased. To the East European countries the share has declined continuously due to the slowing down of export to Russia. At the same time, the export to the Developing countries has brought a rising trend. It is the Eastern European Countries which made a drastic fall in the export with -40.49 percent. Recently China emerged as the major trading partner of India due to the rising demand of Electronic goods, Machinery, Organic Chemicals, Project goods and fertilizers. In 2004 it was only $ 4 billion and it has reached in to $52 billion in 2013 with a share of 11 percent of the total import.

Table 4: Region wise Distribution of India's Import

Regional Groups	Share							
	1989-90	1994-95	1999-00	2004-05	2009-10	2011-12	2013-14	2014-15
OECD	60.24	51.41	43.01	35.85	32.64	29.66	25.60	26.90
OPEC	14.28	21.11	25.87	8.98	32.08	35.43	36.11	30.55
Eastern Europe	8.39	3.37	2.00	2.25	2.13	1.74	1.72	1.71
Developing Countries	17.05	24.08	29.24	25.64	32.49	32.25	35.26	39.02
Other	0.01	0.00	0.00	27.24	0.69	0.89	0.38	0.10

Source: RBI Hand Book of Indian Economy from 1989-90 to 2014-15

Imports from OECD countries has declined from 60.24 percent to 29.66 percent from 1989-90 to 2011-12.At the same time, import from OPEC countries also improved. This trend is followed by the Developing countries and in the case of East European countries, there is a deviance.

Conclusion
It was the liberalization which made India to resettle its trade to a new dimension and also more competitive, even though there exists diverse opinions on the same. It made India to find new markets and diversified products. It is said that, liberalization doesn't provide any positive impact on agriculture rather it affected the export of the same negatively due to the international agreement of sanitary and phytosanitary agreements and the huge subsidy payments by the developed nations thus made a setback in the export of Primary products. In addition to this, the export of manufactured products made remarkable improvements in post liberalization period even though, not an expected manner. Likely, the direction wise shifts explain that, the export towards and imports from the OECD countries are declining continuously and is increasing in the case of Developing and the OPEC countries.

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