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INDIA ' S INTERNATIONAL TRADE IN THE THIRD MILLENNIUM

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IN the changing and expanding scenario of the world trade, it is very essential to keep a vigilant vision on every business movement as it has become more challenging, vibrant and dynamic. India has also witnessed many changes as a result of globalisation and liberalisation specially during the last decade of second millennium. We have just 0.6% share of world trade against more than 16% of world population. At the time of independence it was higher at about 2% though it was forced to export more than its imports in order to meet the unilateral transfers. International trade is bilateral in dealing, but its dimensions are multilateral. The first world countries are champions of free trade and are dealing in international market on competitive lines vis-a-vis third world countries like India.

We have already flung open our door for MNC in production and technology sectors and now we are opening our windows for insurance and other sectors. This the right time to develop strategies to have adequate shares in production and service sector of world market. Perhaps we have the best policy makers in the world, but on implementation part, we are among the worst countries of the world.

India's partnership in the world trade will be largely influenced by the world economic environment. The external environment for developing countries including India is expected to improve in the years ahead in view of policies geared towards achieving a soft lending in the United States, stamping deflationary tendencies and shifting.

The developing countries growth is expected to be higher in the coming years. GDP growth for these countries during 1999 was 2.7% and is expected to increase by 0.5 percentage points during 2000-2001. In most of the developing countries slower growth in recent years was the result of slackening of export markets, loss of momentum in policy reforms, political instability and fall out of East Asian financial crisis. However, India's growth performance of 6.4% was much better than other developing countries.

If the Seattle Round Trade negotiations succeeds in laying the foundation stone for the emergence of a fair, equitable and enduring international trade order, it would be much beneficial for India. However, the major trading partners – both developed and developing – have fundamental disagreements amongst themselves. The US is pressing for a narrow agenda on trade in agricultural commodities to which the European Union and Japan are opposed. On the other hand, EU and Japan are pressing maritime services to be liberalised to which the US is opposed. Neither of these are favourable for developing countries. If India desires to increase its share in world trade, it should negotiate for a complete wiping out of export subsidies by developed countries and should be aggressive in trade negotiations.

India's Foreign Trade: An Over View

Foreign trade an capital transactions constitute a country's external sector. At present, India's external sector is relatively small. It does not contribute significantly to the country's national income. With globalisation, trade liberalisation and export-led growth policy, however, India's external sector is presumably seeking its due importance. Under the new regime of liberalisation and globalisation, the external sector in the Indian economy has a strategic role to play in the process of economic development.

Since the inception of planning, the external sector of Indian economy has undergone significant transformation. Though, the size of foreign trade and its value both have increased during post-independence era, this increase in foreign trade is not satisfactory because Indian share in total foreign trade of the world has remained low. In 1950, the India's share in the total world trade was 1.78%, which came down to 0.6% in 1995. Since 1970, this share has remained around 0.6%, which clearly indicates that India has failed to increase its share in the total world trade. (Table 1).

Table 1: India's Share in World Trade (in %)

Year	Export	Import	Trade
1950	1.85	1.71	1.78
1960	1.03	0.69	1.36
1970	0.64	0.65	0.65
1980	0.42	0.72	0.57
1990	0.52	0.66	0.59
1991	0.50	0.56	0.53
1992	0.53	0.61	0.57
1993	0.58	0.60	0.59
1994	0.60	0.63	0.61
1995	0.60	0.63	0.60
1996	0.64	N.A.	N.A.
1997	0.65	N.A.	N.A.
1998	0.62	N.A.	N.A.

Source: GOI, Economic Surveys

India's Participation in World Trade

There are well over 200 countries in the world today. They come in all shapes and sizes. There are large countries with large population like India and China and large countries with small population i.e. Canada and Australia. Even there are small countries with small population like Fiji and Luxembourg. However, there are certain characteristics that are common to all. For instance, in each country there is economic activity, goods and services are produced, exchanged and consumed.

Beginning from early 1960's world export began to rise much faster than output. In 1973 world exports had risen 500 percent over its level in 1950, while world output was about 200 percent higher. By 1989, world export were 1000 percent higher than in 1950 while world output and risen more than 400 percent. There are many reasons for this explosion of world trade such as reduction in barriers in world trade, improvement in technology such as container ships, super tankers, dry ports, satellite telecommunication networks etc.

India's trade links with all the regions of the world have increased over the years. In view of the current wave of world-wide globalisation, India has taken major initiatives to diversify its exports as also their destination. Indian exports cover over 7500 commodities to about 190 countries while imports from about 140 countries account for over 6000 commodities. Table 2 indicates the Volume of India's Trade.

Table 2: Exports and Imports in post-independence era

(Rs. in Crore)

Year	Import	Export	Balance of Trade	Export as percentage of Import
1950-51	608	608	2	99.7
1960-61	1,122	642	480	57.2
1970-71	1,634	1,535	99	93.9
1980-81	12,549	6,711	5,838	535.0
1990-91	43,198	32,553	10,645	735.0
1991-92	47,851	44,041	3,810	92.0
1992-93	63,575	53,688	9,687	84.7
1993-94	73,101	69,751	3,350	95.4
1994-95	89,971	82,674	7,297	91.9
1995-96	122,678	106,353	16,325	86.7
1996-97	138,919	118,817	20,102	98.2
1997-98 (P)	151,553	126,286	25,268	120.0
1998-99	132,447	101,850	30,597	130.0

The following observations can be made regarding the trends in the growth of India's foreign trade over the years:

I. Modest growth rate of exports

II. Large increase in imports

III. Widening trade deficits

IV. Meager foreign exchange earnings.

It is remarkable that during whole planning period our balance of trade remained unfavourable. Our imports hae exceeded exports, showing a trade deficit. Only two financial years i.e. 1972-73 and 1976-77, are exceptional in showing favourable balance of trade worth of Rs 104 crore and Rs 68 crores, respectively. The deficit in balance of trade in our country has been generally increasing, even though our foreign trade has been getting much more broad based. The government has introduced a number of measures for reducing deficit. The main objective was to control imports on the one hand and to promote exports on the other. However, a country's real economic gain or loss from international trade or transactions cannot be expressed mathematically like income statement; the real gain to country from international transaction is social or utility gain. From the social view-point, a country's real gain from foreign trade is largely the net utility represented by imported commodities (i.e. their power to satisfy human wants) as compared to the utility of exports given in payment.

The basic reason for increasing trade deficit has been high import bill of petroleum products. Devaluation of rupee in 1991, and the convertibility of Indian rupee in trade account and current account during 1993-94 and 1994-95 respectively improved the balance of trade position in 1993-94 and 1994-95. But the deficit again increased during the subsequent years. Before 1990-91, the value of Indian export was about 66.2% of total import bill of the country. It increased to 86.7% during 1995-96 and further 130% in 1998-99.

Present Trends

During 1997-98, India's total exports amounted to Rs 1,26,286 crore as compared to Rs 1,18,817 crore during 1996-97, registering a growth of 6.3%. In dollar terms, the growth rate was 1.5%. At the same time, imports increased from Rs 138,919 crore in 1996-97 to Rs 151,553 crore during 1997-98, thereby registering a growth of 9%. In dollar terms, imports registered a growth rate of 4.2%. In rupee terms the trade deficit in 1997-98 was Rs 25,268 crore against Rs 20,103 crore in 1996-97. In dollar terms the trade deficit was US $ 6799 million in 1997-98 (Table 3).

Table 3: Foreign Trade in India

(In Millions $)

Year	Export	Import	Trade
1993-94	22238	23306	1068
1994-95	26223	28251	2028
1995-96	31831	36370	4539
1996-97	33470	39133	5663
1997-98	33980	40779	6799
1998-99 (April to Dec.)	24287	31853	7296

According to Economic Survey 1998-99 exports have been showing decelerating trend since 1996-97. After 3 successive years or rebust growth at an annual average of 19.7% (in US$) during 1993-94 to 1995-96, export growth momentum showed dowin in 1996-97 with exports registering a modest growth of 5.3% and decelerating further to 1.5% in 1997-98. The performance continues to be worrisome in 1998-99 with exports registering a decline of 2.9% during April-December 1998 over the corresponding period of last years. The Composition of India's foreign trade i.e. the pattern of imports and exports over the years has changed in many ways.

The principal imports of India may be classified into four major groups as folows:

(i) Food and allied product

(ii) Raw materials and intermediate manufacturers

(iii) Capital goodsand

(iv) Other goods.

Due to the industrial growth in country, there has been structural change in imports since 1951 as under:

(i) Increase in imports of capital goods and raw materials,

(ii) Decline in imports of food grains and consumer goods.

Table 4 indicates the value of principal imports of the country.

Table 4: Principal Imports of India during 1997-98

(Rs in Crore)

	Import Items	Import Value
I.	Cereals and Cereal Preparations	1,061
II.	Raw material and intermediate manufacturers	NA
	1. Cashewunits (improcessed)	744
	2. Crude rubber (including synthetic and reclaimed)	593
	3. Fibres	NA
	4. Petroleum oil and lubricants	30,538
	5. Edible oil	2,753
	6. Fertilizer	3,755
	7. Chemicals	12,128
	8. Dyeing, Tanning and Colouring mateials	659
	9. Medical and Pharmaceuticals	1,301
	10. Plastic material	2,564
	11. Pulp and waster paper	1,046
	12. Paper Board	1,844
	13. Pearl and Gems	11,680
	14. Iron and Steel	5,995
	15. Non-ferrous metal	3,337
III.	Capital Goods	26,332
IV.	Others (unclassified)	NA
	Total	**1,51,553**

Besides, the imports of petroleum products, capital goods, carbon chemicals and compounds, medical and pharmaceuticals products are also imported. Pearls, gems and stones are also imported on a large scale but after their processing these are exported from the country. Other imports include edible oils, fertilisers, non-ferrous metals, paper and paper boards, pulp and waste paper etc.

Table 5: Principal Exports of India during 1997-98

(Rs in Crore)

	Export Item		Export Value
I.	Agriculture & Allied Products		23,691
	1. Cashew Kernels		1,384
	2. Coffee		1,622
	3. Fish a Fish preparations		4,312
	4. Oil cakes		3,404
	5. Cotton (Raw)		840
	6. Rice		3,275
	9. Tea and Mate		1,505
	10. Tobacco		1,068
II.	Ores and Minerals		3,018
	11. Iron goods		1,763
III.	Manufactured Costs		96,795
	12. Engg. goods		18,354
	13. Chemicals		13,500
	14. Cotton yarn		12,094
	15. Jute manufacturers		363
	16. Leather & leader manufacturers		5,461
	17. Ready-made garments		14,032
	18. Handicrafts		3,433
	19. Gem and Jewellery		19,014
IV.	Minerals fuels and lubricants		1,443
V.	Other		359
		Total	**1,26,028**

Table 5 indicates the principal imports. Planned development during the last two decades has resulted in rapid transformation in India's export scenario. From the position of an exporter of basically primary products and few industrial products i.e. textiles etc. India has come out as an important exporter of diversified manufactured items. The share of products like tea, manufactured tobacco, processed fruits and juices leather and its manufactured items, gems and jewellery, plastics manufactured items of metals, transport equipments, iron and steel bars, etc. have considerably increased.

India and WTO

World Trade Organisation (WTO) which came into existence on the 1st Jan. 95 with Head Quarter at Geneva, as an embodiment of Uruguay round result and successor of GATT, is accounted for more that 90% of world trade. India along with other 75 countries, hasan honour of being first day founder member. To boost world trade, WTO tried to excure some very important functions like to administer and implement multi-lateral trade agreements, to resolve trade disputes, to act as a forum for trade negotiations and co-operating with other global institutions.

Presently with a membership of 135 nations, WTO is supposed to act under certain principles viz. trade without discrimination, predictable and growing access to the market, promoting fair competition and encouraging development and economic reforms.

In the framework of WTO there is a provision of ministerial meeting once in every two years to review the performance and to give directions for its future programmes. The first ministerial level meeting was held at Singapore in Dec.'96, with the agenda of reviewing the progress of implementation of Uruguay round commitments, related to agriculture, use of anti dumping duties, emergence of non-tariff barriers etc. The achievement of that meet was the ITA (Information Technology Agreement) to lower its tariff to zero by the year 2000.

Second such ministerial meeting was held in May, 98 at Geneva, and it ended with an agreement not to impose custom duties on the transactions conducted through E-Commerce till 1999.

Recently the third ministerial meet in the series was held on 30 November, 1999 at Seattle, Washington, USA and almost collapsed after five days of deliberation without any noticeable achievement, except the progress which was reached on a new draft prepared with a key issue identified for integrating agriculture into the mainstream on WTO rules.

In general, total issues, taken up for the most can be classified into three broad categories, namely:

- Implementation issues
- Mandate negotiations and mandate reviews and
- Other miscellaneous issues.

The implementation issues of the meet, raised by India and other developing countries, may again be categorized into three broad classes first, some imbalances inherent in some Uruguay Round agreements on trade related intellectual property rights which protects industrial produces but does not offer protection to traditional knowledge passed on orally second, there is a lack of sincerity in implementation of policies favouring developing countries. For example, under the agreement on textile and clothing, the opening up of the market has been restricted to only 4.6% of the items of interest of developing countries but this is rarely done.

The mandate negotiations referred to those which have already been agreed to begin, like negotiations on agriculture an services are mandate to begin by the start of new millennium.

In the miscellaneous category, there were five other issues:

- First, for industrial tariff, negotiations were sought. Under Morrakesh Protocol (1994), the import duties were requiredto be brought down in six equated instalments to the committed bound level. There had been a great pressure for negotiations on industrial items.

- Second issue was related to global E-Commerce.

- Third, one of the most burning issues was to link between trade and labour standards, even after the common opinion of first Singapore Conference in 1996 that ILO is a competent body to deal with labour issues.

- Fourth, also the controversial one, was to examine the link between trade and environment.

- Lastly there was a demand for a coherent global architecture to be cemented between WTO and UNCTAD, ILO and WHO.

Throughout the meeting, the social issues related to labour standards and environment dominated the scene instead of real trade issues because the US and most of the other developed nations attempted to dominate the show. The conference was marked by violent demonstrations by massive coalition of protestors, trade unionist, environmentalist and human rights activists. The inaugural session of the meet had to be cancelled. Even the UN General Secretary could not address the meet.

President Bill Clinton, in particular, emphasised that the US not only wanted agreement on the working group but would like to see it followed by the establishment of Core Labour Standards. Clinton proposed that violation of these standards should lead to the trade sanctions, exactly what the thousands of protesters were demanding, to be included on WTO agenda.

In the similar attempt, even after strong opposition from third world countries, by using veto powers by US, a new working group, chaired by ANABEL GONZALEX OF COSTA RICA, was formed with specific objective to discuss proposal for creating either a labour standard working group or a body operated jointly by a number of international organisations to look at these issues. In fact the from the inception of WTO, the developed countries are trying to use this organisation to increase their economic dominance over developing countries. Undue emphasis on labour standards and setting up of working group evoked a strong reaction from Indian delegation and other third world countries. They questioned the validity of formation of such groups.

The representatives of the developing countries strongly condemned this move of US and other developed nations and showed a great concern. They pressed that the agreements made in previous rounds of WTO meets should be implemented. Under Uruguay Round Talks, new trade system was to be promoted but it is unfortunate that the developed nations, who are crying for labour standards and environmental safeguards, have not changed their rules and regulations as per the requirements of WTO agreements.

A cry for these non-trade social issues by US and Bill Clinton, just before the elections in US and to gain a sympathy wave, clearly showed that US and developed countries wanted to take away the competitive edge that developing countries had to lower wage levels. Indian allies also showed a strong reaction to the methods used by US trade representatives, Charlene Barshefsky to ensure a successful completion of ministerial meet.

Even an Editorial of Wall Street Journal of US itself also blamed Bill Clinton and supported Indian view point. It said that President Bill Clinton in a way invited nuisance creators and protesters to protest. The paper also issued a list of such people who were invited to Seattle only to create violence and as on. The paper wrote that the interview of Mr Bill Clinton to press (in which he strongly advocated the inclusion of concern on labour standards and environmental safeguards and said that we must honour the sentiments of demonstrators) also proves this very fact. It also wrote that Americans, who love democratic processes, if recognise this violent demonstrations, it will be very damaging. It warned WTO that it should not surrender before these things.

Conclusion

Indian exports cover a wide range of agricultural and industrial products as also various handicrafts, ready-made garments and leather manufacturers etc. Project exports which include consultancy, civil construction and turn-key projects have also made a significant progress in recent years. Recently electronic hardware and software exports have increased in a significant way mainly to the advanced countries. Imports have also increased substantially, bulk of which comprise items like petroleum products, fertilizers etc., precious stones for export production and capital goods, raw materials, consumables and intermediates for industrial and capital goods, raw materials, consumables and intermediates for industrial production and technological upgradation.

Export-led growth is the current strategy of India's economic policy. Indian exports should acquire a high degree of competitiveness in the world markets. For this adequate supplies of exportable need to be assured besides the pursuance of sound fiscal and monetary policies. To push up exports, India needs a further diversification of foreign trade. Over 40% India's export have been concentrated among a few countries such as USA, Japan, UK and West Germany, while, over 60% of our imports are from 10 countries, including France, Hongkong, Singapore, Iraq, Iran and Saudi Arabia, which continue to be the largest market for our export accounting for over 30%.

Trade statistics reveal that India depends more on developed countries for its major portion of exports as well as imports, and imports from developing countries do not grow at a significant rate. Further, while trading with developed countries, India's terms of trade are mostly unfavourable. Hence, India is rather a losing partner in its trade with developed countries. As such, larger trade with developed countries would mean more exploitation or resource drain and this cannot be an engine of growth.

India should concentrate more on improving trade relations with the developing countries. In fact, developing countries do possess a good potential and scope to promote trade links among them. By overcoming problems like non-tariff barriers, inadequate tariff-concessions and with a strong political will for economic integration, India can succeed in developing good trade relations with developing countries of Asia and neighbouring areas.

In order to play an effective role in WTO, India should try to emerge as the leader of the third world countries for which it has, enough potentials. It should try to draft a new negotiating strategy, with the support of developing countries. It should formulate its own research agenda. It should make sincere efforts to stop green room consultation and encourage open discussions. Solidarity with the South should be the main plank of the future strategy of India's international trade.

Industrial nations are trying to shut their door for the products of developing economics. It is an accepted fact that the USA will continue to dominate economic power. The major intercontinental companies are coming together to exploit the world market. These are some of the challenges which will have to be faced boldly by India.

India is yet to emerge as a trade power. It is disturbing to note that India's share in world export is declining. This declining trend will have to arrested. At the same time it is hearteming to note that the India's share of export as percentage of GDP is looking up. In 1950 it was 6.3%, in the 1970 it was 4.2% and in 1995-96 it went up to 9.9%. This trend should be further consolidated.

A perusal of the structural and directional changes in India's foreign trade would help in making strategy for increasing India's share in the world trade in the third millennium. One can easily observe that India's imports at present comprise of capital goods like machinery and equipment and intermediate goods like petroleum oil lubricants (POL), iron and steel, nonferrous metals etc. Undoubtedly such India's imports are crucial in nature for the functioning of the economy. On the other hand, India's export's composition has transformed with the faster growth of manufactured goods largely confined to light manufacturers. This diversification trend 4 very encouraging.

The share of foreign trade in India's Gross National Product has been increasing steadily. But it is still lower than East Asian and Latin American countries. Again, the near-absence of heavy manufacturers in India's exports only reflects the inadequate indigenous technology base for the development of heavy manufactured goods. These emerging broad trends suggest that India in coming future has to go a long way in:

- attaining economic self-sufficiency in the form of paying for imports through exports,
- improving the competitiveness of its goods in terms of price and quality of heavily penetrate in world market,
- diversifying the exports specially in terms of heavy manufacturers, and
- making African and South American countries as new destination of India's exports.

If India has to make its presence felt in the world trade in first few decades of the 21st century or for that matter in third millennium, the above points should be taken as goals of India's trade with the rest of the world in coming future. And for achieving these goals, the following action plans or strategies are suggested:

(1) In order to attain economic self-sufficiency, it is imperative to ensure balance of payment sustainability and avoidance of excessive external debt. Besides a sound and prudent macro-economic policies, it is essential that exports must grow at a higher rate than imports in dollar terms. This would be possible only when the share of exports in incremental output of manufacturing sector will rise from the present level of 20% to at least 40% in the coming decade and also when domestic savings targets shall be fully attained. Another area where export-potentiality appears to be high is all service sectors: hotels, tourism, education, health, legal, engineering, design and several other services. More and more global corporate will be sourcing such services form India and thus contributing a lot of export sector in near future.

(2) Just to penetrate in the world market, Indian corporate sector has to improve its competitiveness. It is said "Industry is coming into an era where brain power is likely to be more powerful than brawn power". If it is true, then India is really at good terms because of its finest and most globally competitive human resources and skills. What is required is to prepare global leaders in all areas of industry. The success achieved in the area of software and IT may be an eye-opener.

(3) Just to increase the share of heavy manufacturers in the total exports in future, there is need to develop and use indigenous technology. While it is desirable to have the best and most appropriate technologies from wherever available, in the long run it is necessary that domestic

capacity as developed in respect of heavy manufacturing sector. Since much of Indian industry in the manufacturing area has become out of date of obsolete, there should a shake out. As such, restructuring in the form of acquisitions, take overs and even closers will have to be effected in the future. Not only this, the focus on Research & Development and also on the development of world class technology shall be a new agenda for Indian industry for the third millennium.

(4) India's trade relations with African countries will have to be enhanced. India is at the threshold of Great Power status at the beginning of the 21st century. With good trade relations with the USA, India is expected to surge ahead in trade and industrial relations with African countries to a greater extent. Political happenings also suggest that India should have good economic and political relations with these countries.

The 21st Century will stress the crucial importance of sound foreign trade and investment policies in order to promote rapid and sustained India's trade with the rest of the world. It will seek to enhance the technological strength and economic efficiency of domestic production to be able to compete globally. The ultimate objective should be to gain the position of top player in world trade. Under the WTO regime developing countries have ended up opening doors to their own markets at a time when their access to developed country markets is being reduced.

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