

Deepak Nayyar, *India's Exports and Export Policies in the 1960s* (Cambridge University Press, Cambridge, 1977) pp. xvii + 392, £12.50.

A careful analysis of India's export policies is important for a number of reasons. First, it affords an eminently valid empirical framework for testing the dynamic role of import substitution policies in transforming primary-oriented exporters into exporters of manufactured products. Secondly, India's successes and frustrations in developing a viable export base symbolize in full measure the task of developing countries in building export markets within the straight-jacket of the current structure of international trade. Thirdly, of all the developing countries within recent decades, India has made probably the most ambitious efforts at diversifying, not only the commodity composition of its exports, but also their destination, as reflected in its rapidly growing exports to the socialist countries. The latter type of diversification, particularly with respect to its institutional aspects, appears crucial to other developing countries not only in reducing dependence on exports to 'hard currency' areas but for increasing trade among themselves. Finally, India's export efforts are unique in the developing world to the extent that they are

largely free of the influence of foreign firms and technology, and quite unlike the major sources of export growth in a country like Brazil.

Although Nayyar does not directly attempt an analysis of all these problems, his detailed and thoughtful description of export performance and policies affords the reader an insight into many of these questions. This book is primarily concerned with export policies during the 1960s—a period which coincided with a concerted effort toward export promotion and a lesser emphasis on import substitution. Nayyar begins by outlining the causal factors that affect export growth. He identifies these as consisting of changes in world demand, commodity composition of exports, market distribution, and competitiveness (to wit, relative export prices, costs of production, pressure of domestic demand, supply bottlenecks, and trade policies). Given the extent of changes in the commodity composition of exports, it is clear that no single aggregative analysis would suffice to explain India's overall export performance. Accordingly, Nayyar painstakingly details the performance of eleven disaggregated export sectors which constituted more than 60 percent of total exports, where differences in demand and supply conditions as well as in trade policies are brought into focus. The individual sectoral analyses are supplemented by a macroeconomic view of policies affecting exports, including domestic policies toward exportables, and the influence of the 1966 devaluation.

The author points out that trends in export performance of individual commodities were complex and varied from commodity to commodity. In general, while the foreign exchange value of most of the traditional exports remained either stagnant or fell throughout the sixties, there were marked increases in nontraditional exports of manufactured goods. The shift in the direction of trade policies during the sixties was reflected in major export promotion efforts through subsidization which culminated in the devaluation of 1966. Concessional taxes for exporters, 'drawbacks' of customs and excise taxes, foreign exchange 'retention' schemes, preferential import licencing for exporters, supply of indigenous materials at world prices, export credit and insurance facilities, cash subsidization, marketing assistance, and export publicity abroad all played their part in the complex, and often conflicting, web of export policies. Nayyar reveals the extent to which each of these policies was successful in its objectives, as well as points to their drawbacks in design and implementation. He justifies, and rightly so, the use of selective export subsidization policies, since trade-theoretic prescriptions such as devaluation, optimum taxes and uniform tariffs on imports are hardly realistic in economies characterised by structural underdevelopment.

The author isolates three major failures of India's export policies, viz., the relative neglect of traditional exports which accounted for a large proportion of foreign exchange earnings; inappropriate and often excessive subsidization of a narrow range of manufactured products; and the inability to develop

other new manufactured exports, although he does not indicate what they could have been. These failures are examined in the light of domestic and international factors, as well as those relating to commercial policies. External factors seemed to have played a relatively significant role in export performance of some industries, e.g. the LTA in textiles, while domestic factors and commercial policies were more crucial in others. Among the latter set of policies, Nayyar highlights the pressure of domestic demand for exportables as a result of population growth and the relatively higher income elasticity of demand for consumer goods which reduced exports. The use of relative prices or other policies designed to curb domestic consumption of exportables would have been regressive, since it would have 'penalized' the poorer sections of the population. Higher exports in the wake of rising domestic demand for exportables could have been sustained only by increasing the supply of exportables, which clearly did not increase to an appreciable extent despite the 1966 devaluation. In the ultimate analysis, therefore, the failure of exports in the traditional sectors was due more to the inelasticity of supply resulting from structural causes and less to the much-maligned export policies.

A valuable part of Nayyar's study is the analysis of India's bilateral trade with socialist countries of Eastern Europe: Indian exports to them increased from 7.7 percent of total exports in 1960 to 23.6 percent in 1970. The author claims that these were net increases in exports and did not represent a diversion away from convertible currency area exports. It is hard to be convinced of this, since it is almost impossible to predict the behavior of exports in the absence of India's commitments under the various bilateral trade agreements with socialist countries. A comparison of unit values for exports also suggests that socialist countries paid higher prices for Indian exports relative to the rest of the world. The striking thing is that bilateral exports were responsible for more than half of the growth in total exports during the decade. These trends in the diversification of export markets seem to be relevant to current concern with the growth of trade among the developing countries where bilateral arrangements are frequently advocated as necessary payments devices.

This book is a refreshingly undogmatic account of India's export problems and policies and, despite its shortcomings, is a welcome relief from the usual 'export strangulation' stories that one incessantly hears.

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