

# India's export policy

**INDIA'S EXPORTS AND EXPORT POLICIES IN THE 1960s:** By Deepak Nayyar; Cambridge University Press in association with Blackie & Son (India) Limited; Pp. xviii+392; Rs. 89.

This book seeks to analyse India's export performance and export policies during the period 1960 to 1970.

Part I of the book presents the analytical frame and the broad trends in exports. Part II is devoted to a detailed consideration of the performance of 11 major export industries which together accounted for nearly two-thirds of the country's export earnings. The third part of the volume evaluates the various export promotion policies pursued by the government and ends with a postscript which brings the analysis up to date.

The theoretical frame of the book is derived from one of the widely used models of constant-market-share of a country in the world market. In this model the export performance of a country is judged on the basis of its ability to maintain its share of the world market over time. The method assumes a priori that the export performance of a given country is dependent on four major factors: (a) growth in the world market; (b) changing commodity composition; (c) changing market distribution; and (d) competitiveness. It is obvious that the exports of a country will certainly be influenced by changes in world demand; but, at the same time, it is equally obvious that it is not within the power of the exporting country to control the changing trends of world demand which are essentially determined by such external factors as changes in foreign income, foreign elasticities of demand, changes in tastes abroad, and so forth. The second factor which affects the exports of a country may, however, be amenable for internal control. The exporting country can hope to maintain its share of the world market by changing the commodity composition of its exports in tune with international changes in demand. Thirdly, if a country were to succeed in maintaining its share of world market, it must switch over from stagnant to rapidly growing markets. And, finally, a country's ability to enhance its exports will very much depend on the competitiveness of its exports. The most important determinant of export competitiveness is, of course, the export price which depends on cost of production, pressure of domestic demand, and supply bottlenecks. But the trade policies of the government and non-price factors like designing, quality, and marketing also influence the competitiveness of

a country's exports.

It is against this theoretical framework that the author examines India's export performance during the period 1960 to 1970. India's total export earnings increased by about 52 per cent during the period under review whereas global export earnings shot up phenomenally by 143 per cent during the same period. Therefore, India's share in world exports declined from 1.04 per cent in 1960 to 0.65 per cent in 1970. A still more disquieting feature was that India was not even able to keep pace with the growth of exports of the underdeveloped countries whose average growth was 100 per cent. India's export performance was undoubtedly a dismal failure when judged by the yardstick of maintaining a constant-market-share of the world exports.

It cannot be argued that India's declining share of the world market was due to the slow growth of world demand for her principal traditional exports such as jute manufactures, tea, and cotton textiles for two reasons. First, the other competitors were able to increase the exports of the same commodities. Second,

terms of their relative shares in the world market, while exports of cashew kernels and minerals increased rapidly. The decline in the exports of the first set of industries cannot be ascribed to the slow growth of world demand, for other countries were able to boost such exports. The author argues with justification that the poor performance of these industries on the export front should be attributed to the domestic factors and policies which damaged their competitiveness in the foreign markets. Exports of cashew kernels, no doubt, increased in absolute terms; yet, India lost her monopolistic position and also her percentage share declined not only because of increasing competition but also due to her inability to increase production. The remarkable increase in India's export of iron-ore was made possible by the rapid expansion in world demand, particularly in Japan. However, the increase in the export of iron-ore would have been still greater but for the inefficient mining methods. The fast growth of exports of non-traditional items like manufactured leather, chemi-

practically nothing to arrest the declining share of these industries in the world market.

On the impact of devaluation, the author is hesitant to make any definitive pronouncement. However, his analysis unmistakably leads to the conclusion that the export performance, on the whole, would not have been much different without devaluation.

The book gives a very balanced and thoughtful treatment of India's bilateral rupee trade with the socialist countries which absorbed Indian goods at a tremendous compound rate of 16.5 per cent per annum. Trade with Communist countries has tended to become a politically controversial and sensitive issue. Views have been aired that the Soviet Union has been exploiting India by selling dear and buying cheap in the Indian market and that the exports to the Communist countries have necessarily been at the expense of the more lucrative trade with the convertible currency areas. But the author produces evidence to show that India did not have to divert exports from convertible currency areas in order to export to the

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there was a change in the relative composition of Indian exports during the sixties. The share of the above mentioned traditional exports in total exports declined, while the share of the relatively new products of leather, chemical, and engineering industries dramatically increased.

Considerable changes also took place in the relative shares of different export markets during the period under consideration. Exports to UK fell from \$363 million to \$227, reducing UK's share in Indian exports from 26.9 per cent to 11.1 per cent. At the same time, exports to Japan jumped from £74 million to \$271 million, raising her share from 5.5 to 13.3 per cent. Exports to the USSR increased even more impressively from \$61 million to \$280 million and her share rose from 4.5 to 13.7 per cent. The share of the other socialist countries trebled during the decade. The increase in exports to the USA was only moderate; however, it was an important market for it absorbed goods worth \$302 million per year on an average during the last years of the decade.

Part II of the book presents an interesting and detailed empirical analysis of the performance of selected individual industries. Among the traditional exports, jute manufactures, cotton textiles, tea, and tobacco suffered a heavy loss in

cal, and engineering goods was due to rising world demand in the case of leather and engineering goods and due to heavy subsidisation in the case of chemicals.

The discussion on the export promotion policies adopted by the government is highly illuminating. The decade of the fifties was characterised by stagnation in exports and inaction on the part of the government. But, during the sixties the government pursued a positive and deliberate policy of export promotion and as a result exports increased. But, as we have seen, the increase in total earnings was comparatively so limited that India failed to maintain her previous share of world trade. The author attributes the failure of the export drive to basically three reasons. First, the export promotion policies besides being defective in themselves, were almost confined to a narrow range of non-traditional exports. Secondly, no serious attempt was made to create new or develop existing industries which led greater growth potential than the ones favoured by official policies. Thirdly, the traditional industries which accounted for a sizeable share of the country's total export earnings even at the end of the decade were almost completely neglected and the government did

countries of the eastern bloc. But for the bilateral trade arrangements with the latter, the increase in India's exports would have been much less than the increase actually attained. Most of the Indian exports to the socialist countries, which constituted more than 50 per cent of the total increment during the sixties, were a net addition. Moreover, contrary to the opinion held in some quarters, the terms of trade obtained by India under bilateral agreements were also favourable. The prices of most of the Soviet goods were not higher than the world prices and the Soviet Union paid higher prices for the Indian goods than the rest of the world did.

The volume under review is an unusually unpretentious book written in good style, easy and lucid, and devoid of any mathematical flourish which has become so fashionable in recent days even when it is neither required nor appropriate. It is fairly an exhaustive study on the subject and is both documentary as well as analytical. The author has done an excellent job of integrating theory, fact, and policy. The book assuredly deserves a wide audience and is destined to become an invaluable guide for policy makers.

—T. S. VENKATESWARAN