

Indian success story

India's Exports and Export Policies in the 1960s by Deepak Nayyar. *Cambridge University Press.*

THIS is an ambitious book. Its blurb proclaims the expectation that it will become the standard work on the subject. But although Dr Nayyar has produced an excellent guide to India's exports in the 1960s, a work of this nature is expected to open a window into the future, and there he fails.

His gloomy prognostication has been belied, and Indian exports have exhibited a dynamism whose origins he has discerned but not properly assessed. In the past five years exports have shot up by over 200% making India one of the few developing nations to overcome the challenge posed by the oil crisis. The trade deficit of US\$1,350 million in 1975-76 has been converted into a surplus of US\$80 million in 1976-77.

The secret of India's success has been diversification. Nayyar shows that at the beginning of the 1960s it was a typical developing nation, dependent for the bulk of its export earnings on three commodities, and suffering from overdependence on the British market, a hangover from colonial times.

Today, no export item accounts for more than 11% of the total, and no single country for more than 13% of its sales. The share of manufactured exports has risen steadily, and engineering exports now constitute the biggest single export item. India's fastest growing markets are Africa, the Middle East and Southeast Asia.

In 1975-76, India's biggest export was sugar. As a result of the subsequent slump in world prices, India's earnings from sugar exports crashed by 75% in 1976-77. But its diversified export pattern enabled exports as a whole to rise by 23%. There is a lesson in this for other sugar exporters, and indeed for all Third World countries.

Diversification is a long and painful process. Nayyar has described in detail the subsidies, currency depreciation and other incentives that the Indian Government had to give in the 1960s to set the ball rolling.

He produces powerful arguments to show that this led to an unjustified neglect of traditional exports like jute and tea. But there can be no doubt that the overall emphasis on diversification and adding value through manufacture was correct.

A valuable instrument for diversification in the difficult days of the 1960s was the forging of special trade links

with the Soviet Union and other East European countries. Nayyar shows that 42% of India's export increment in the 1960s went to these countries. They proved to be ideal territory for nursing and rearing fledgling industrial exports, which were protected in these markets from Western competition. No doubt, India's political closeness to the Soviet Union helped, but it seems clear that even neutral Third World countries would be wise to try and use trade with the communist bloc as an important plank in their programme for export growth and diversification.

By the 1970s, India's non-traditional exports were almost ready for take-off. They needed only the final touch of currency depreciation in a regime of floating exchange rates to gain a keen edge.

Nayyar points out repeatedly that the rupee value of India's exports was artificially inflated by such depreciation. He fails to realise that in the process India's exports became so competitive that they acquired a dynamism which persisted long after the rupee had stopped floating downward.

— SWAMINATHAN S. AIYAR

China ties

China Policy: Old Problems and New Challenges by A. Doak Barnett. *The Brookings Institution, Washington D.C.*

UNLESS the United States consolidates and expands its ties with China in the near future, it risks deterioration and reversal in Sino-American relations. That is the theme of A. Doak Barnett's latest book.

Barnett recommends that the US broaden bilateral economic, technological and cultural relations with China as well as selling it defensive weaponry on a limited scale. He also calls for greater cooperation between the two countries in efforts to solve problems concerning military security, arms control and international economics.

However, he recognises that the interests of the US and China often diverge, especially on the question of the future status of Taiwan. Many Chinese feel that they have already given too much and received too little in return, while many Americans are still trying to cling to the old two-China formula.

The existing formal defence treaty with the Nationalist regime poses the greatest obstacle to a quick solution of the problem, but Barnett warns not to