

Changes in the Destination Pattern of India's Exports: A Comparative Study of Pre and Post Reform Period

Abstract

This paper analyzes the changes in Direction of India's exports during pre and post reform period. We find that India's exports performance improved significantly during the post-reform period and there has been a perceptible change in the value, composition and direction of India's exports. Though the volume and value of exports has increased manifold, India's share in the world exports is still not up-to the expectation. The most remarkable change in the direction of India's exports during post-reform era has been the increasing share of developing countries, OPEC, Latin America, Africa and Asia. It is expected that exports would grow at an average of 25 percent over the next few years.

Keywords: Economic Prosperity, Colonies, Bilateral Economic Relation

Introduction

In the pre-independence period, direction of India's foreign trade was determined not according to the comparative cost disadvantage of India but by the colonial relations between India and Britain. In other words, it was Britain that decided from which countries India could import its requirements and to which countries it could export its products. Naturally, a major part of India's trade was either directly with Britain or its colonies or allies. For example, the combined share of UK and USA in India's export earnings was 42 percent in 1950-51. Their share in import expenditure was as much as 39.1 percent in the same year. With other capitalist countries like France, Germany, Italy, Japan, etc. India either did not have trade relations at all or they were very insignificant. This pattern continued for some years after independence since India had not till then explored the possibilities of developing trade relations with other countries of the world. As political and diplomatic contacts developed with other countries, economic relations also made headway. But in latter years situation changed very much, and now after seven decades of planning, the trading relations exhibit marked changed. Diversification in trade relations reduced the vulnerability of the economy to outside political pressures. Detail picture of directions of India's foreign trade during post reform period are discussed below:-

Direction of Export in Pre-Reform Period

For purpose of analysis of direction of trade, India's trading partners can be divided in to five major groups -- Organization of Economic Co-operation and Development (OECD) Countries, Organization of Petroleum Export Countries (OPEC), Eastern Europe, Developing Nations and Others. Data on direction of Indian Export in pre-reform period is presented table 1.1. This table depicts that, OECD group accounts for major portion of India's exports. Share of this group in 1960-61 was 66.1 percent which came down to 56.48 percent in 1990-91. The OPEC group accounted for 4.1 percent of exports in 1960-61 and its share rose to 7.71 percent in 1990-91. Most significant picture about direction of India's export is that the rapid increase in exports to the countries of Eastern Europe, which accounted for 7 percent of export earnings in 1960-61 which shot up to 22.1 percent in 1980-81. However in latter years, exports to this group suffered a setback due to marked political upheavals in these countries and the disintegration of the USSR. In 1990-91, share of Eastern Europe in India's total exports slumped to a 17.71 percent. Developing Nations of Africa, Asia, and Latin America accounted for 19.50 percent of India's export earnings in 1990-91. In this group most important group was countries of Asia. Exports of Asian Countries accounted for 19 percent of India's total export earnings in 1990-91. At the start of planning process in

Muneera Sayeed

Research Scholar,
Deptt.of Economics,
Deen Dyal Upadhyay Gorakhpur
University,
Gorakhpur

India in 1950-51, share of USA in India's export was 19.3 percent and 16 percent in 1960-61. In 1990-91, USA with a share of 14.73 percent occupied the second position. It's clear from table 6.1 exports to

North America accounted for 18.7 percent of export earnings in 1960-61 which fell down to 15.59 percent in 1990-91.

Table-1.1
Direction of India's Exports
(1960-1961 to 1990-91)

% = percent share in Total Export

	1960-61	1970-71	1980-81	1989-90	1990-91
	%	%	%	%	%
OECD Countries	66.1	50.1	46.1	55.91	56.48
(a) EU	36.2	18.4	21.5	24.92	27.49
(b) North America	18.7	15.3	12.0	17.12	15.59
(c) USA	16.0	13.5	11.1	16.17	14.73
(d) Asia and Oceania	NA	NA	NA	11.21	10.44
(e) Other OECD Countries	10.1	15.02	10.6	2.65	3.53
OPEC	4.1	6.4	11.1	6.66	7.71
Eastern Europe	7.0	21.0	22.1	19.30	17.87
Developing Countries	14.8	19.8	19.2	15.61	19.50
(a) Asia	6.9	10.8	13.4	13.20	19.02
(b) Africa	6.3	8.4	5.2	1.96	2.59
(c) Latin America Countries	1.6	0.7	0.5	0.44	1.00
Total Exports	187.8	179.6	173.1	185.15	195.95

Source: (1) DGCI&S. (2) Various issues of Handbook of Statistics on Indian Economy, RBI, Government of India, New

Direction of Export in Post Reform Period

Direction of foreign trade refers to the relative share of various countries or country group in our imports and exports. Not only the composition of India's foreign trade has undergone substantial changes, there has also been marked change in the relative share of our exports and imports to various countries signifying the emerging new economic relationships. In the present study, we have discussed the direction of India's exports. For purpose of analysis of direction of trade, India's trading partners can be divided in to five major groups -- Organization of Economic Co-operation and Development (OECD) Countries, Organization of Petroleum Export Countries (OPEC), Eastern Europe, Developing Nations and Others. Data on direction of Indian export during post-reform period are presented in table 1.1. It is evident from table that exports of OECD group of countries which accounted for more than half of India's export earnings during 1990s declined drastically during the post-reform period. Share of this group of countries in India's exports was 57.8 percent in 1991-92 which fell down to 35.31 percent in 2009-10 and 18 percent in 2014-15. In 1991-92, almost half of the exports to OECD countries were accounted for by EU countries. Share of these countries in India's total exports in post reform period has also declined significantly. Taken separately, EU accounted for 27.02 percent of India's export earnings in 1991-92 which came down to 20.23 percent in 2009-10 and 8.3 percent in 2014-15. Within the OECD group, share of North America, USA and Asia & Oceania in

India's exports have also declined during the post reform period. Share of North America in India's export earnings was 17.41 percent in 1991-92 which fell down to 11.40 percent in 2009-10 and 7.5 percent in 2014-15. Share of USA in India's export earnings was 16.35 percent in 1991-92 which fell down to 10.12 percent in 2009-10 and 7.14 percent in 2014-15. Similarly, share of Asia & Oceania in India's export earnings was 10.51 percent in 1991-92 which fell down to 3.82 percent in 2009-10 and 1.42 percent in 2014-15. Because of the disintegration of communist regimes, share of Eastern Europe in India's export earnings fell drastically 10.9 percent in 1991-92 and to merely 1 percent in 2009-10 and 0.58 percent in 2014-15.

On the other hand, share of other groups i.e. OPEC and Developing Nations in India's exports during post reform period has increased considerably. It is evident from table-6.2 that share of OPEC groups in India's export earnings was 8.74 percent in 1991-92 which rose to 21.9 percent in 2009-10. What is significant from India's point of view is fact that share of developing nations of Africa, Asia and Latin America has risen considerably over the period of twenty-two year (1991-92 to 2009-10) from 20 percent to 39.69 percent. Most important in this group have been the countries of Asia. In fact, these countries accounted for 16.88 percent of India's export earnings in 1991-92 which has gone up to 29.25 percent in 2009-10. Within the developing nations group, share of Africa and Latin American Countries has also increased during the post reform period.

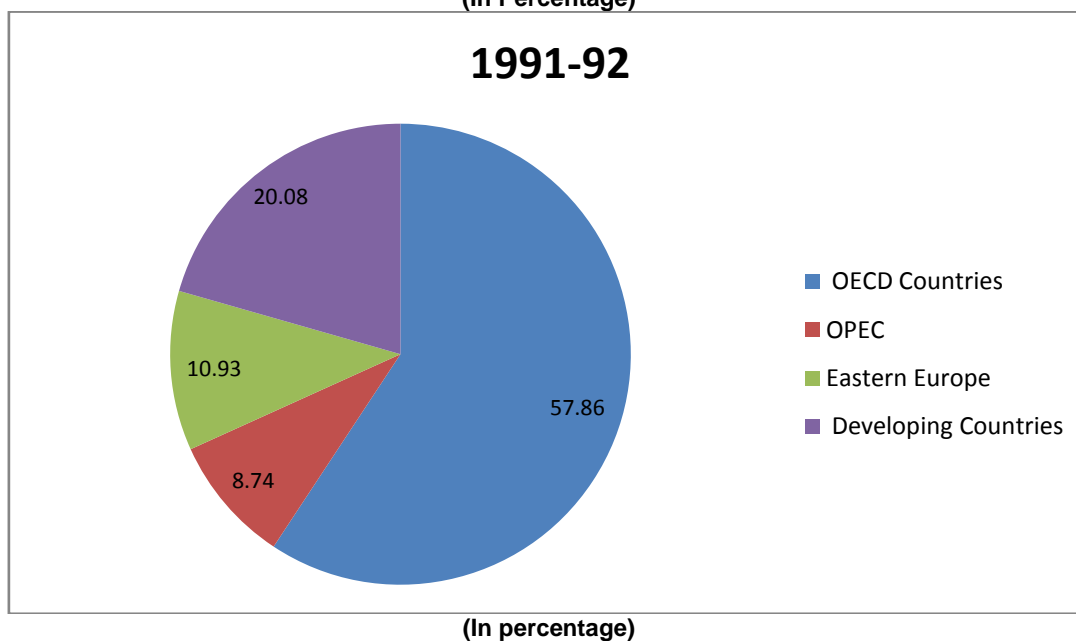
Table-1.2
Direction of India's Export
1991-92-2014-15
(In US \$ Million)

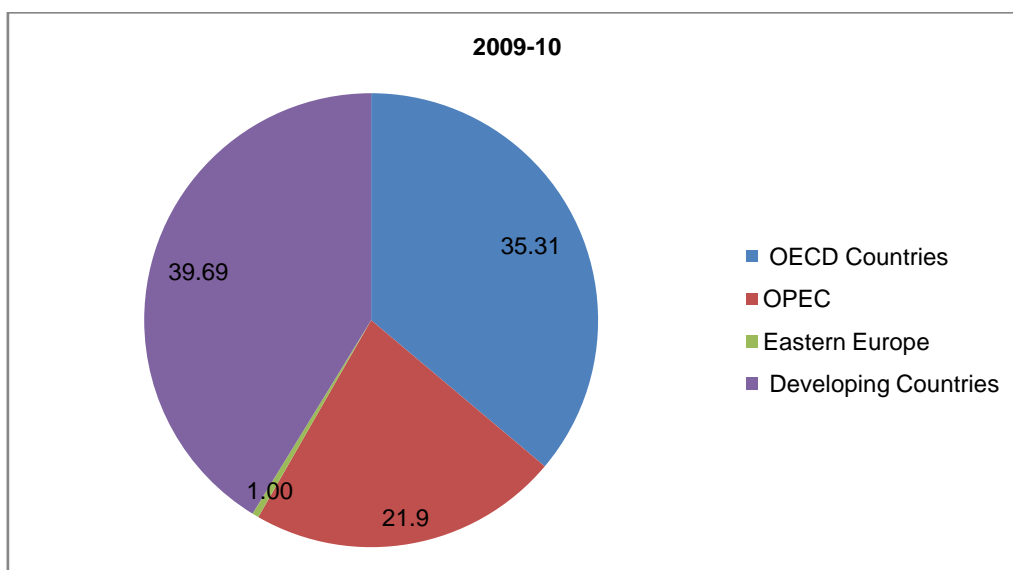
	1991-92	2001-02	2009-10	2012-13	2014-15
	V	V	V	V	V
OECD Countries	10337.00 (57.86)	21622.10 (49.34)	61411.60 (35.31)	102865.1 (18.4)	109349.1 (18)
1. EU	4826.90 (27.02)	9845.90 (22.47)	35922.20 (20.23)	50569.2 (9.1)	49524.0 (8.3)
2. North America	2109.70 (17.41)	9098.20 (20.67)	20600.80 (11.40)	38201.5 (6.8)	44641.4 (7.5)
3. USA	2921.10 (16.35)	8515.30 (19.42)	19479.40 (10.12)	36164.5 (6.5)	42444.8 (7.14)
4. Asia and Oceania	1878.20 (10.51)	1990.70 (4.54)	5251.40 (3.82)	8759.7 (1.56)	8473.1 (1.42)
5. Other OECD Countries	522.20 (2.92)	687.30 (1.57)	2367.20 (1.26)	533.4.7 (1.00)	6710.6 (1.12)
OPEC	1561.80 (8.74)	52224.50 (11.52)	37648.60 (21.9)	57567.3 (10.3)	56340.4 (9.5)
Eastern Europe	1952.70 (10.93)	1254.80 (2.86)	793.30 (1.00)	3771.5 (0.67)	3434.8 (0.58)
Developing Countries	3587.10 (20.08)	13535.50 (30.88)	70099.80 (39.69)	130445.3 (23.3)	136456.0 (23)
Asia	3016.40 (16.88)	10332.70 (23.58)	53242.40 (29.25)	91411.2 (16.4)	93868.5 (15.8)
Africa	441.30 (2.47)	2260.90 (5.16)	10308 (5.7)	24394.4 (4.4)	28062.1 (4.72)
Latin America Countries	129.50 (0.72)	941.90 (2.15)	6440.10 (3.08)	14639.7 (2.61)	14525.4 (2.61)
Total Exports	17865.80	43826.70	178751.4	558789.4	593830.2

Values in brackets are % of export

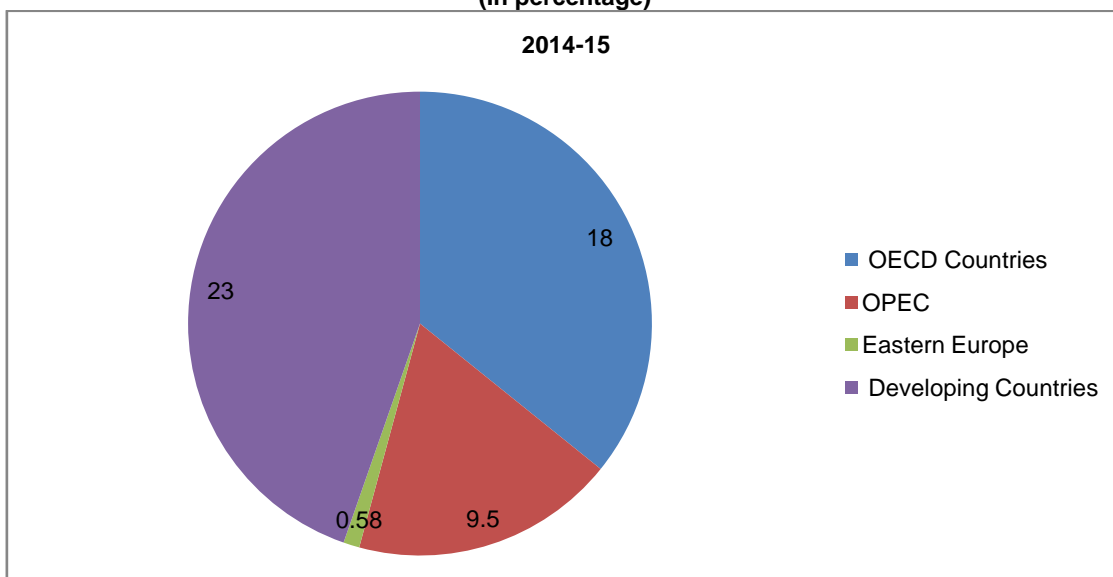
Source: Various issues of Handbook of Statistics on Indian Economy, RBI, Government of India. & Directorate of General of Commerce Intelligence and Statistics

Direction of India's Export during Post Reform period
(In Percentage)





(In percentage)



The growth rate of India's exports to major countries has been shown in the Table 1.3.

Table: 1.3

Growth Rate of India's Exports to Major Regions/Countries Pre- and Post Reform Period

	Country/Regions	Growth rate for pre-reform period (1980-81 to 1991-1992)	Growth rate for post-reform period (1992-93 to 2010-11)
A.	OECD Countries of which:	11.1	11.10
1.	EU	12.5	12.37
2.	North America of which:	15.2	11.55
3.	Asia and Oceania	8.9	6.74
4.	Other OECD countries	6.8	10.93
B.	OPEC	0.6	20.25
C.	Eastern Europe	3.6	2.38
D.	Developing Countries	8.3	18.87
1.	Asia	10.9	18.30
2.	Africa	-2.1	21.14
3.	Latin America	21.1	26.43

Source: Handbook of statistic on Indian Economy (various issues) Calculated on the basis of table 1.1 and 1.2

Exports to OECD Countries

The growth rate of India's Exports to OECD countries is found to be 11.1 percent in pre-reform period as well as in post-reform period. This implies that India's exports to OECD region have not shown an improved performance during post reform period reflecting the general slowdown in demand in this region. The decline in exports may be on account of reduction in India's exports to EU, North America and Asia and Oceania within the group. The growth rate of India's exports to EU is found to be 12.5 percent during pre-reform period but the exports to EU declined slightly during post-reform period mainly due to global factors such as the crisis in the euro-zone, sluggish demand in Western Europe and global crisis that began in Greece, quickly engulfed the entire euro region, reducing confidence in the European economy as a whole. The table (1.2) further shows that the growth rate of India's exports to North America is found to be 15.2 percent during pre-reform period. But our exports to North America have shown a declining growth rate in post-reform period on account of fall in exports to United States of America (U.S.A.). India's exports to Asia and Oceania have also shown a sharp decline in post reform period mainly because of fall in exports to Japan within the region.

Exports to OPEC

India had relatively old trade connections with Organization of Petroleum Exporting Countries. In the 1950s, it was India's turn to be placed in a more advantageous position where it had more to offer to these countries than to buy them. The growth rate of India's exports to OPEC is found to be only 0.6 percent during pre-reform period but it is found to be much greater (20.25 percent) during post-reform period. This implies that our trade with OPEC during post-reform era has improved substantially as its share in Indian exports has increased. Prevalence of high international crude oil prices and the consequent gains in terms of trade have increased the share of India's exports with OPEC region.

Exports to Eastern Europe

The growth rate of India's exports to Eastern Europe is found to be only 3.6 percent during pre-reform period but improved slightly during post-reform era and decline to 3 percent in post-reform period. This implies that India's exports to Eastern Europe witnessed a turnaround, during post reform period mainly due to the new institutional arrangements set up to improve the bilateral economic relations. In addition, the sharp increase in exports to Eastern Europe was associated with the repayment of technical credits as trade agreements which govern trade with countries drew to a close.

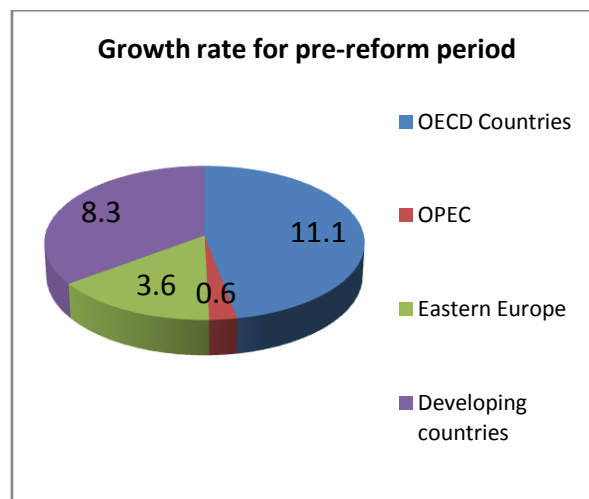
Exports to Developing Countries

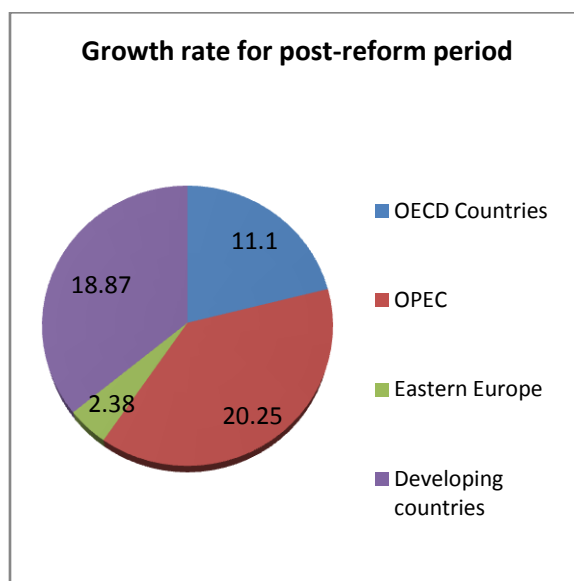
The growth rate of India's exports to developing countries is found to be 8.33 percent during pre-reform period. But exports to developing countries have shown a remarkable performance during post-reform period as growth rate is found to be 18.87 percent. The rising share of developing countries in India's export basket in post-reform period indicates a directional shift in exports from North to South. The increase in exports to developing

countries during post-reform period is mainly contributed by higher exports to Asia, Africa and Latin American countries. The exports to Asia have shown a remarkable improvement during post-reform period as compared to pre-reform period mainly because of following factors:-

1. The growing economic prosperity in South-East Asia.
2. Greater trade co-operation among Asian countries particularly South Asian countries.
3. Recovery from the crisis by East Asian countries.
4. The series of FTAs/CECAs signed by India with countries from Asia Region.
5. India's "Look East Policy" and sustained efforts to develop strong relations with Asian countries.

The table (1.3) further reveals that the growth rate of India's exports to Africa is found to be negative during pre-reform period but exports to Africa have shown a remarkable improvement during post reform period growth rate is found to be 19.48 percent. The sharp rise in India's exports to Africa during post-reform Period may be due to the "Focus Africa" programme of Government. Table (1.3) further shows India's exports to Latin American countries increased slightly during post-reform period. With a view to enhancing our exports to Latin America Region, the Government has initiated a process for expansion of India-Chile Preferential Trade Agreement (PTA) and India-MERCOSUR (trade bloc of Brazil, Argentina, Paraguay and Uruguay) trade Agreement. In addition to this, the "focus" programme launched by Government of India within a view to increase our trade with Latin America are in force for supporting and encouraging Indian exporters to explore new markets of this region.





Objective of the Study

1. To examine the analysis Direction of Indian Export during pre reform period
2. To examine the analysis of Direction of Indian Export during post reform period.

Methodology of the Study

Present study is based on secondary data covering the period from 1991 to 2014-15. The required data were collected from various sources such, Monthly Statistic on India's Foreign Trade, published by the Directorate General of Commercial Intelligence and Statistics Kolkata, Indian Institute of Foreign Trade (IIFT) New Delhi and Trade Development Authority New Delhi. Besides, some other publications such as various issues of Economic Survey, Foreign Trade Review, Indian Institute of Management, Ahmadabad, International Financial Statistics Yearbook, International Monetary Fund, Handbook of Statistics on Indian Economy.

Conclusion

In the analysis of direction of India's trade it was found that exports of OECD group of countries which accounted for more than half of India's export earnings during 1990s declined drastically during the post-reform period. Share of this group of countries in India's exports was 57.8 percent in 1991-92 which fell down to 35.31 percent in 2009-10 and 18 percent in 2014-15. In 1991-92, almost half of the exports to OECD countries were accounted for by EU countries. Share of these countries in India's total exports in post reform period has also declined significantly. Within the OECD group, share of North America, USA and Asia & Oceania in India's exports have also declined during the post reform period. Because of the disintegration of communist regimes, share of Eastern Europe in India's export earnings fell drastically. On the other hand, share of other groups i.e. OPEC and Developing Nations in India's exports during post reform period has increased considerably.

India's exports performance improved significantly during the post-reform period and there has been a perceptible change in the value, composition and direction of India's exports. Though

the volume and value of exports has increased manifold, India's share in the world exports is still not up-to the expectation. The most remarkable change in the direction of India's exports during post-reform era has been the increasing share of developing countries, OPEC, Latin America, Africa and Asia. It is expected that exports would grow at an average of 25 percent over the next few years.

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