International Journal of Management, IT & Engineering
Vol. 7 Issue 8, August 2017,
ISSN: 2249-0558
Impact Factor: 7.119Journal Homepage: http://www.ijmra.us, Email: editorijmie@gmail.com
Double-Blind Peer Reviewed Refereed Open Access International Journal - Included in the International Serial Directories Indexed & Listed at: Ulrich's Periodicals Directory ©, U.S.A., Open J-Gate as well as in Cabell's Directories of Publishing Opportunities, U.S.A

Changing and Development of Export Items in India since Globalisation

Dr. Khizar Mahmood Khan
Research Fellow
Department of Management
B. R. Ambedkar Bihar University, Muzaffarpur

Introduction

Foreign Trade is the important factor in economic development in any nation Foreign trade in India comprises of all imports and exports to and from India. The Ministry Of Commerce and Industry at the level of Central Government has responsibility to manage such operations. The domestic production reveals on exports and imports of the country The production consecutively depends on endowment of factor availability. This leads to relative advantage of the financial system. Currently, International trade is a crucial part of development strategy and it can be an effective mechanism of financial growth. Job Opportunities and poverty reduction in an economy. According to Traditional Pattern of development, resources are transferred from the agricultural to the manufacturing sector and then into services.

Keyword: FDI, Exim policy, WTO, International trade.

Historical Journey

Foreign trade in India began in the period of the latter half of the 19th century. The period 1900-1914 saw development in India's foreign trade. The augment in the production of crops as oilseeds, cotton, jute and tea was mainly due to a thriving export trade. In the First World War, India's foreign trade decelerated. After post-war period, India s exports increased because demand for raw materials was increased in all over world and there were elimination of war time restrictions. The imports also increased to satisfy the restricted demand. Records indicated that India's foreign trade was rigorously affected by the great depression of 1930s because of decrement in commodity prices decline in consumer's purchasing power and unfair trade policies adopted by the colonial government. During the *Second World War*. India accomplished huge export surplus and accumulated substantial amount of real balances. There was a huge pressure of restricted demand in India during the Second World War. The import requirements were outsized and export surpluses were lesser at the end of the war. Before independence India's

foreign trade was associated with a colonial and agricultural economy. Exports consisted primarily of raw materials and plantation crops, while imports composed of light consumer merchandise and other manufactures. The structure of India's foreign trade reflected organized utilization of the country by the foreign leaders. The raw materials were exported from India and finished products imported from the U.K. The productions of final products were discouraged.
For instance, cotton textiles which were India's exports accounted for the largest share of its imports during the British period. This resulted in the decline of Indian industries. Since last six decades. India's foreign trade has changed in terms of composition of commodities. The exports included array of conventional and non-traditional products while imports mostly consist of capital goods, petroleum products, raw materials, intermediates and chemicals to meet the ever increasing industrial demands.

The export trade during 1950-1960 was noticeable by two main trends. First among commodities which were directly based on agricultural production such as tea, cotton textiles, Jute manufactures hides and skins, spices and tobacco exports did not increase on the whole and secondly there was a significant boost in the exports of raw manufactures such as iron ore. In the period of 1950 to 1951 main products dominated the Indian export sector.
These included cashew kernels, black pepper, tea, coal, mica, manganese ore, raw and
Tanned hides and skins, vegetable oils, raw cotton and raw wool. These products comprised of 34 per cent of the total exports. In the period of 1950s there were balance of payments crunch. The export proceeds were not enough to fulfil the emerging import demand. The turn down in agriculture production and growing pace of development activity added pressure. The external factors such as the closure of Suez Canal created tension on the domestic financial system. The critical problem at that moment was that of foreign exchange scarcity. The Second Five Year Plan with its emphasis on the development of industry mining and transport had a large foreign exchange factor. This tension on the balance of payments required the stiffening of import strategy at a later stage.
The process of globalization has got momentum through the process of economic Integration and in the expansion of the volume of International trade. India has been a relatively new comer to the process of expansion of international trade since its opening up to world trade only began alter the crisis in 1991. The opening up to international trade should be seen as a crucial aspect of the new approach to economic Policy and as an integral part of the process of reforms. In 1991, the government introduced some changes in its Policy on trade foreign Investment. Tariffs and Taxes under the name of "New Economic Reforms". The economic reforms process introduced since 1991 withfocus on liberalization, openness, transparency and globalization has enabled increasedIntegration of the Indian economy with the rest of world. In the age of globalisation. India is new entrant to expand international trend. In

International Journal of Management, IT & Engineering
Vol. 7 Issue 8, August 2017,
ISSN: 2249-0558
Impact Factor: 7.119Journal Homepage: http://www.ijmra.us, Email: editorijmie@gmail.com
Double-Blind Peer Reviewed Refereed Open Access International Journal - Included in the International Serial Directories Indexed & Listed at: Ulrich's Periodicals Directory ©, U.S.A., Open J-Gate as well as in Cabell's Directories of Publishing Opportunities, U.S.A

1991, the government initiated some changes in its strategy on trade foreign Investment. tariffs and Taxes under the name of "New Economic Reforms". Indian government mainly concentrated on reforms on Liberalization openness and export sponsorship activity. It is witnessed that foreign Trade of India has considerably revolutionized export in the Post reforms period. Trade Volume increased and the composition of exports has undergone several noteworthy changes. In Post - reform Period the major provider to export's growth has been the manufacturing sector.

Though India has steadily opened up its Wealth, its tariffs are high as compared with other countries, and its conjecture norms are still restricted. Foreign trade in India in legal term is the Foreign Trade (Development and Regulation) Act, 1992. The Act provide with the development and regulation of foreign trade by assisting imports into and supplementing exports from India. Export is an activity in which products are made or grown domestically but shipped and sold abroad. Export is an activity of sending goods to another country for sale. The firms can consider export under the circumstances like when the cost of production in the foreign market is high, the volume of sales in the foreign market is not enough to break even, the foreign market is not a long term market. The product may not have enough life to justify huge direct investments and the political factors are not conducive.

India's economic structure today presents a distinctly different picture from what it was in 1991 when economic reforms started. In 1991 our foreign exchange reserves had depleted substantially. We then had just enough reserves to tide over the import requirements of three weeks.

It was in this context that India gradually started dismantling its quantitative restrictions partially liberalised its exchange rate and reduced the peak rate of customs duties. The average duty on all products stands reduced from over 70% in 1991-92 to 12% in 2008-09. However, at the same time the whole world was rushing towards globalisation and integration. Had India not joined the race, the economic scenario could have worsened. The only recourse left to India was to increase its exports to tide over the ever-increasing imports. We were aiming to gain a considerable proportion of international business and make our presence felt on the international front. The Government announced various export promotion measures and incentives.

Structure of any country's exports is important to understand the salient features of its export sector and level of development. In context of theory of structural change, for example, if a country has majority of primary commodities in its export basket then it is considered that country is basically a developing economy and vice versa if export basket contains bulk of capital goods. And structure of exports has been undergoes significant changes with the process of economic growth and development. Growth of exports is also very important both for the developing and developed economies as developing countries need of foreign exchange earnings to compensate the imports bill of capital goods. Whereas, developed countries need markets for the sale of over-production of manufactured capital and consumer goods. Large and increasing share in world exports of manufacturers signifies the mounting importance of the country in the world economy. Coupled with capital outflows, it is a clear cut indicator of establishment of hegemonic power as was empirically seen to have happened in the history as Great Britain emerged as an imperial power during the nineteenth century and United States as neo-imperial power after the World War 1. Beside China can be accumulating hegemonic power in the contemporary world economy.

The growth of a country's export is determined by many internal and external factors (Singh 1964). Besides internal factors, any change in a country's exports is at least partially attributable to changes in world demand for those products. All these factors have an important bearing on a country's export performance in so far as they affect the demand for its exports. Commodity composition and market composition of exports are crucially important for the countries that are adopting outward-oriented export promotion development strategy as a tool of planned economic development in the contemporary global economy. Given commodity composition and market distribution of exports, export based outward-oriented strategy can give desirable effects in this era of globalisation which is characterised by unilateralism at domestic level in majority of the economies of the world; and multilateralism and regionalism at global level. Given the commodity composition, a country may fail to maintain its share in world market, i.e. exports may not keep pace with the expansion in world trade, if demand for its exports is growing relatively slowly, although the country has some sort of comparative advantage in its respective exportable. This would be true in case of the country whose exports are concentrated in primary products, raw materials and other commodities, demand for which is income inelastic and hence grow slowly. In these circumstances, an unchanging commodity composition may well become a constraint on export growth. Similarly, the market distribution of export can also affect a country's exports. A country may fail to maintain its share in world market if most of its exports go to markets which are relatively stagnant. Conversely, exports may increase faster than world average if they are sold in rapidly growing markets (Nayyar, 1976).

For India, the period since 1991 has been characterised by substantial changes in economic environment both domestically and externally. Economic environment in India has undergone qualitative changes as the import substitution inward oriented development strategy has been replaced with export promotion outward oriented strategy with implementation of economic reforms in every sector of economy and particularly in external sector. Global economic environment has also been characterised by increasing popularity of economic liberalization, multilateralism and regionalism which has changed economic order instituted during the post-World War II period. All these changes created an export friendly environment. No doubt, this economic transformation of global economic order with special emphasis on free trade has articulated the export friendly environment both for the developing and developed economies. The attempt, in this chapter, has been made to examine the changes occurred in the growth, composition and direction of India's exports during post-reform and post-WTO period, i.e. during the period from 1991-92 to 2005-06.

Indian Export- An Overview

The strategy of reforms introduced in India in July 1991 presented a mixture of macroeconomic stabilization and structural adjustment. It was guided by short-term and long-term objectives. Stabilization was necessary in the short run to restore balance of payments equilibrium and to control inflation. At the same time changing the structure of institutions themselves through reforms was equally important from long term point of view. The new government moved urgently to implement a programme of macroeconomic stabilization through fiscal correction. Besides this structural reforms were initiated in the field of trade industry and the public sector. The major policy initiatives taken by the government were- Fiscal Reforms, Monetary and Financial Sector Reforms, Reforms in
Capital Markets, Industrial Policy Reforms, Trade Policy Reforms, Promoting Foreign Investment and Rationalization of Exchange Rate Policy.

Under trade policy reforms the main focus was on greater openness. Hence, the policy package was essentially an outward-oriented one. New initiatives were taken in trade policy to create an environment which would provide a stimulus to export while at the same time reducing the degree of regulation and licensing control on foreign trade. Due to the implementation of economic reforms since 1991 and India s joining of World Trade Organization (WTO) and acceptance of its commitments since 1994, the export sector of the country responded sharply and experienced several fundamental changes in terms of its growth composition and direction. Over one and a half decade Indian economy grew rapidly at 6. 18 per cent per annum and its external sector has performed well during post-reforms period. India s exports grew at an average rate of 11.66 percent per annum. In the context of phenomenal expansion in world exports, this growth was relatively much higher and consequently India's share in world exports grew continuously throughout the period under study. It was a distinct break from the past stagnation in India's export earnings. Moreover, growth performance of India's exports during the post-reforms period has been quite satisfactory as compared to the world exports. The actual growth of exports was found to be much higher than that of the potential export growth. The contribution of Special Economic Zones (SEZs) to India's exports has been increasing since 2000-01. Moreover, the terms of trade has been turned out favourable the country. However, the

WTO has some serious implications for India's textile, leather, pharmaceuticals and agricultural exports especially in the developed countries market.

But liberalization of developing economies has many desirable effects on Indian export sector especially in terms of growth. The MFA phase out period could positively hit textile export. The newly emerged non-tariff trade barriers worked as constraints to the exports.
Which are the outcomes of discriminating and biased behaviours of the developed nations.

Foreign Trade Policy (Export and Import Policy)

The Exim Policy 1992-97 was notified under the repealed Imports & Exports (Control) Act. 1947. The Policy was saved through Section 20 of the Foreign Trade (Development && Regulation) Act, 1992. Subsequent amendments to the 1992-97 Policy and the 1997-2002 Policy, were notified under powers vested through Section 5 of the Foreign Trade (Development and Regulation) Act, 1992. The Exim Policy 2002-07 consisted of 9 Chapters. Four important points to be noted about the Exim Policy which are as follows:

(1) In 1996 the Central Govt. introduced the Indian Trade Classification (Harmonised System) of Classification of Imports and Exports. The Exports and Imports are regulated in accordance with the Exim Policy read with the ITC (HS).
(2) Second Hand Goods are not allowed to be imported, unless specifically permitted through a specific provision or through a Public Notice or through a specific Import Licence. However second hand capital goods are allowed without any age restriction as per present Policy.
(3) The Director General of Foreign Trade is empowered to issue Public Notices specifying the Procedures for implementation of the Policy. The Handbook of Procedures is a Public Notice issued by the DGFT under powers vested in him through Para 2.4 of the Exim Policy.
(4) The DGFT is empowered (Para 2.5 of Exim Policy 2004-09) to grant relaxations from Policy/Procedures in specific cases. He is also empowered (Para 2.3 of Exim Policy 2004-09) to give any binding clarifications

Year	Export	Import	Trade deficit
1999	36.3	50.2	-13.9
2000	43.1	60.8	-17.7
2001	42.5	54.5	-12.0
2002	44.5	53.8	-9.3
2003	48.3	31.6	-13.3
2004	57.24	74.15	-16.91
2005	69.18	89.33	-20.15
2006	76.23	113.1	-36.87
2007	112.0	100.9	-11.1
2008	176.4	305.5	-129.1
2009	168.2	274.3	-106.1
2010	201.1	327.0	-125.9
2011	299.4	461.4	-162.0
2012	298.4	500.4	-202.0
2013	313.2	467.5	-154.3
2014	318.2	462.9	-144.7
2015	310.3	447.9	-137.6
2016	262.3	381.0	-118.7
2017	275.8	384.3	-108.5
2018	303.52	465.58	-162.05
2019	330.07	514.07	-184

Sources: Data tabulated from different economic survey of India

Concluding Observation

India's Recent Trade Policy announcing a new Foreign Trade Policy in April 2015, Prime Minister Narendra Modi's government said it wished to increase India's share of global trade from 2.1 percent to 3.5 percent and double exports (to $900 billion).

The policy seeks to integrate the government's Make in India and Digital India initiatives.

Honourable PM elaborated on his thinking and set out a clear road map at a speech in Washington in June 2016: We will continue to strengthen the "Make in India" initiative. It is not intended for only manufacturing for the domestic market or import substitution. It is as much about making world-class products and services for the whole globe. That is why, for us, improvements towards free trade are important. It is very important for us that developed countries open their markets, not only to goods from countries like India but also to services. I see this as a win-win proposition for the U.S. and for India. India is the future human resource powerhouse of the world with a young hard-working population. In my vision, a partnership between American capital and innovation, and Indian human resources and entrepreneurship can be very powerful. I am convinced we can strengthen both our economies through such partnership. This bold statement, especially in the wake or exports declining for seventeen consecutive months since December 2014, needs to be acted on. But to do so effectively, the government will need to continually assess how these priorities (for example, the partnership between American capital and innovation and Indian resources and entrepreneurship) are playing out within evolving global trends Implementation of India's major schemes, the Smart City Project, Make in India, Skill India Program and Digital India will require foreign direct investment an comprehensive rebooting and rejuvenation of India's manufacturing sector. The Honourable PM has made a good start. In 2015, India attracted more foreign direct investment FD) than China and the United States, tripling Greenfield FDI, which reached an estimated $63 billion.22 Indeed. India became the leading country in the world for green field FDI, overtaking the United States ($59.6 billion) and China ($56.6 billion). The Make in India initiative, however has possibly run into international headwinds caused by recession, protectionism, and technological developments, such as automation and 3D printing. As a result, Make in India may only affect the Indian market, specifically the defence sector.

A study has identified 31 products such as women's apparel, drugs, and cyclic hydrocarbons that have high export potential and can make India a top exporter of these products, industry body CII said recently. The study has come against the backdrop of India's exports entering the negative zone after a gap of eight months in June, recording a decline of 9.71 per cent to USD 25.01 billion.

For enhancing the market promotion of the select products, the industry body recommended that non-tariff barriers must be taken up with the respective governments of destination countries. It also suggested facilitating effective marketing strategies by setting up centres in top international markets, product promotion and integration of brand building initiatives with India's commercial missions.

References:

1. The Economic times, April 122008, 1.59 Am 1ST
2. Indian Economy. Himalaya Publishing House, Mishra & Puri.
3. Journal of Economic and social Development, vol XIl, No.2. DEC 2016.
4. International journal of Advancement in Research and Technology. Vol. 1, issue. 5 Oct 2012.
5. Highlights of the Foreign Trade Policy 2015-20, Govt. of India, Department of commerce,
6. ministry of Commerce and Industry.
7. Rajesh Mehta "Trade policy reforms" 1991-92 to 1995-96 Economic &political weekly,
8. Ap-2012. 1997, P.779.
9. Deepak Nayyar, India Export Performance, 1970-85, Economic and political weekly. Annual
10. No. 1987, P.81.