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Export-Led-Growth: A Strategic Approach to India's Economic Development

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Abstract

Government of India after a ling struggle and worth some network, proved to be nearly fail may be because of either the defective policy structure or the short-vision of the policy-makers or the rising population, diversification of national setup or the financial crunch in meeting out expenses for the removal of above mentioned basic constraints. 'Export-led-growth' is a strategy that encourages and supports production for exports. The rationale behind this belief is that the enhancing exports can play a pivotal role in the overall growth-process of the country. India is an interesting case study of the export and economic growth relationship. The present study evaluates the export-import policies followed in India and analyses time series data rigorously to draw conclusions regarding the various potential positive roles of exports if there are any, and suggests a suitable strategy for development in India. Overall, it may be fair to say that openness, by leading to lower prices, better information and newer technologies, has a useful role to play in promoting growth. But it must be accompanied by appropriate complementary policies (most notably, education, infrastructure, financial and macroeconomic policies) to yield strong growth results. The precise mix of trade and other policies that is needed will strongly depend on the specific circumstances of each country.

Keywords: *Export, Import, Export-led-Growth, Economic Development.*

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1. INTRODUCTION

India followed the basic policy of self sufficiency and further self-reliance for its growth and development over the years. But, it is obvious that to prove to be a welfare state, India could not gather much concentration on the fronts *such as* positive balance of payment situations and inclusive balanced economic development. Even today there are the regions *like* Orissa, Bihar, Madhya Pradesh and Eastern Uttar Pradesh, where the rampant poverty prevails and some other regions *like* Punjab, Haryana, Delhi, Gujarat and Goa, which are affluent states. It indicates that Indian states have not developed uniformally.

Unemployment, unequal regional development, inadequate education facilities, child labour, infrastructural facilities, power-shortage, lacking water and health amenities, government of India after a long struggle of 66 years and a worth some network, proved to be nearly fail may be because of either the defective policy structure or the short-vision of the policy-makers or the rising population, diversification of national setup or the financial crunch in meeting-out expenses for the removal of above mentioned basic constraints.

The trade can transmit development in a country. As, trade, no doubt has been an engine of growth for the countries, which lack basic infrastructure, welfare amenities and livelihood facilities. This statement do not contradict the basic vision of the policy-makers and the pillars of the Indian economy, but, the locus of the problems of India has shifted and it can only be riddled-out through the change in the vision and through setting-up of the effective strategy for future growth and development. Otherwise, the country will fall weak and tender to the emerging socio-economic challenges from inside and outside.

'Export-led-growth' is a strategy that encourages and supports production for exports. The rationale behind this belief is that the enhancing exports can play a pivotal role in the overall growth-process by effective exploitation of available resources, stimulating demand, encouraging savings and capital accumulation, and by raising the capacity to import.

Benefits of exports are justified by the classical economists through the traditional argument of comparative advantage. This way, a country's market can be opened up to international markets to allow that country more efficiently produce and allocate resources in which it has a comparative advantage based on its natural factor endowments. Thus, world trade markets allow producers and consumers of the participating countries to benefit from lower-prices, higher-quality, more diverse supply of goods and higher growth.

Further, in later years, economists started believing that only developed countries get benefits from such trade practices. As the developing countries involved in trade with developed countries are generally producers and exporters of primary products and import manufactured goods from developed countries. They have to supply on low prices, whereas developed countries get returns of high productivity due to improved technology transferred to the workers and results in increased wages and incomes. Thus, developed economies get more benefits than developing economies. But, on the contrary, the middle-income developing countries have been showing impressive economic growth through export-led-growth strategy in the early 1980s. Hong Kong, Singapore, South Korea, Taiwan and Japan favoured outward-oriented policies of increased openness and export promotion strategies.

This way, the affirmative relationship between export expansion and economic growth has become point of concentration in recent years for those countries who need quick, accurate and sustainable development. Several empirical studies have been conducted to assess the role of exports in the economic growth of developing countries from varous aspects (Michaely [1977], Tyler [1981], Feder [1982], Balassa [1978], Chow [1987], Krueger [1990], Ram [1985, 1987] and Sengupta and Espana [1994] Bhagwati [1978], Sharma and Dhakal [1994] and more recently by Dhawan and Biswal [1999] and many more). The above studies have highlighted the positive role of export-led-growth in the effective economic development of the developing countries:

- increasing the supply potential of the economy by increasing the potential to import;
- stimulating demand and encouraging savings and capital accumulation;
- financing development and more capacity utilization;
- creating technological dynamism through the externality effect of exports in the diffusion of modern technology across other sectors and industries;
- creating employment and increasing labour productivity;
- increasing the effects of economies of scale, industrialization, and import of capital goods;
- increasing the Total Factor Productivity and consequently the well-being of the country;
- relaxing the balance of payment constraint to sustain economic growth and development
- relaxing the current account pressures for foreign capital goods by increasing the country's external earnings and attracting foreign investment; and
- improving allocation of scarce resources throughout the economy.

However, above mentioned points are not automatic and their impact on poverty reduction and human development goals largely depends on the actual quality and character of both economic and export growth. It is argued that key to the success of East-Asian countries was a coherent strategy of raising the returns of private investment through a range of strategies that included credit subsidies, tax incentives, education promotion, establishment of public enterprises, export inducements, duty free access to inputs and capital goods and government coordination of investment plans. Moreover, any export strategy works only if it is framed with peculiarity of a country's environment, its stage of development and its range of endowments and capabilities.

Summing up, whatever coherent strategy a country adopts but the Export-Led-Growth strategy encourages nations to settle problems of employment, education and inflation.

2. STRATEGY FOLLOWED IN INDIA

Up to the 1960s, India had followed an import substitution policy. However, the failure of import substitution as a viable industrial policy and the rapid escalation of import bills and balance of payments deficits in the late 1960s, forced India to shift to an export-oriented strategy. Recent economic reforms in India have largely accentuated this export orientation.

India is an interesting case study of the export and economic growth relationship. It is difficult from the Indian experience to assess the nature of this causal relationship. The trade sector constitutes a small section of the Indian economy and this seems to indicate a minor role for exports in economic development. However, it is important to recognize that the size of the export sector in India does not by itself exclude the possibility of export-led growth. The study evaluates the export-import policies followed in India and analyses time series data rigorously to

draw conclusions regarding the various potential positive roles of exports if there are any, and suggests a suitable strategy for development in India.

3. REVIEW OF THE LITERATURE

A number of studies have been conducted on Export-Led Growth in India and Abroad. Experts, researchers and other field investigators have done various outstanding studies on this subject and related themes. Albeit, it is a strong belief of the researcher here that research studies on the similar lines have not been conducted so far. Therefore, some short references of such studies are enumerated here below:

Girija Nimgaonkar (Vishvakarma Institute of Management, Pune: 9th Global Conference on Business and Economics, ISSN 978-0-9742114-2-7) writes in her paper Export-led-growth in South East Asia, "The miraculous performance of the East and South East Asian Countries during 1970s to 1990s cannot be analysed without considering the connection between the export-oriented policies and economic growth. The shift from traditional import substitution policies to export-oriented policies in these countries has long-term policy implications for many of the developing countries including India. In the newly Industrialized Economies from East and South East Asia, the general macro-economic policies as well as selective export promotion policies facilitated the high export and economic growth".

Ranjan Kumar Dash (NCAER, New Delhi, South Asia Economic Journal Sept. 2011) quotes in his paper Revisited Export–Led growth Hypothesis : An Empirical Study on India "Over the years, there has been extensive research on the relationship between a country's export and economic growth with ambiguous and mixed results. The mixed results are due to bi-variate approach used in the analysis and periodication (Combining both import substitution and export promotion periods).

Dhawan and Biswal (Applied Economics, Vol. 31 No. 4, 1 Ap., 1999, pp 525-530) investigate in their research paper 'Re-examining export led growth hypothesis: a multivariate cointegration analysis for India' that "the ELG hypothesis using a vector autoregressive (VAR) model by considering the relationship between real GDP, real exports and terms of trade for India between 1961-93. They employ a multivariate framework using Johansen's cointegration procedure. They find one long-run equilibrium relationship between the three variables and the causal relationship flows from the growth in GDP and terms of trade to the growth in exports. However, they conclude that the causality from exports to GDP appears to be a short run phenomenon.

In a similar framework, *Asafu-Adjaye and Debasish Chakraborty* (Australian Economic Papers Vol. 38 Issue 2, Page 164-175, June - 1999) consider three variables in their paper Export-Led-Growth and import compression: Further Time Series Evidence from LCDs: Exports, real output and imports (for the period 1960-1994). They do not find any evidence of the existence of a causal relationship between these variables for the case of India and no support for the ELG hypothesis, which is not too surprising given India's economic history and trade policies.

Anwer and Sampath (Western Agricultural Economics Association 1997, Reno/Sparks, Nevada: Annual Meeting July 13-16, 1997), also find evidence against the ELG hypothesis for India in the paper entitled Exports and Economic Growth.

In contrast, *Nidugala, G. K.* (Indian Economic Journal 47, 3, pp67-68, 2001) builds in the research paper Export and Economic Growth in India: An Empirical Investigation on Esfahani's (1991)

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model and uses an augmented production function with exports as a regressor. Nidugala finds evidence in support of the ELG hypothesis for the case of India particularly in the 1980s. He finds that export growth had a significant impact on GDP growth. Further, his study reveals that growth of manufactured exports had a significant positive relationship with GDP growth while the growth of primary exports had no such influence.

Ghatak, S. and S. W. Price (Weltwirtschaftliches Archiv., 133,3, pp. 538-53, 1997) test the ELG hypothesis for India in the article Export Composition and Economic Growth: cointegarationa dn Causality Evidence for India for the period 1960-1992, using as repressors' a measure of GDP that nets out exports, along with exports and imports as additional variables. Their results indicate that real (aggregate) export growth is Granger-caused by non-export real GDP growth in India over 1960-92. Their cointegration tests confirm the long run nature of this relationship. However, imports do not appear to be important for the case of India. As corroborated subsequently by Nidugala (2001), their disaggregated analysis shows that non-traditional manufactured exports (such as machinery and transport equipment) are found to Granger cause output growth, while traditional manufactures (such as textiles, wood, paper) have little effect.

4. OBJECTIVES AND METHODOLOGY OF THE STUDY

4.1 Objectives

- To discuss the export-led-growth theoretically.
- To analyze the relationship between emerging export-oriented industries and economic growth.
- To draw conclusion regarding the various potential positive roles of exports and suggest a suitable strategy for national development.

4.2 Methodology

The methodology of this paper is simply based on secondary data and analysis. Primary data on exports and economic development of India is not possible to collect, individually. Hence, Government published data has been adapted for present study.

5. EXPORT-LED-GROWTH: A STRATEGIC APPROACH TO ACCELERATE ECONOMIC DEVELOPMENT

A country like India should always accumulate wealth and precious metals in span of time through emphasis on achieving trade surpluses to become a perfect welfare state. As, it has been discussed earlier that classical belief was that the trade is a result of comparative advantage which leads to an effective and efficient use of natural resources in each country and thus increases welfare by transmitting development through trade. The neo-classical view believes that growth can be achieved by export-led-growth strategy in recent situations. Thus, enhancing exports must be related to economic growth to accelerate economic development. The export-led growth model was initially upheld with the success of Asian Newly Industrializing Countries (NICs) - in particular, Hong Kong, Singapore, Korea and Taiwan and second-generation NICs (Malaysia and Thailand)- are cited as such examples. Over the las thirty years these NICs have approximately doubled their standards of living every ten years. China is the latest country to join this group. The World Bank (1993) perceives that the experiences of these countries serve as a model for

development, a view also supported by the US Agency for International Development and the International Monetary Fund.

Thirlwall has rightly argued that the growth of exports plays a major part in the growth process by stimulating demand, encouraging savings and capital accumulation since exports increase the supply potential of the economy, by raising the capacity to import.

There are a number of reasons within trade theory to support the Export-led-Growth strategy to boost economic development:

- Export growth means an increase in demand for the country's output in other countries which helps to increase the real output of the exporting country.
- If the exports are expanded then the country's specialization in the production of export products gets promoted, this helps in boosting the productivity level and causes the general level of skills to improve in the export sector. This leads to a reallocation of resources from the (relatively) inefficient non-trade sector to the higher productive export sector and hence output growth of the exporting country. The outward-oriented trade policy may also give access to advanced technologies and better management practices (e.g., Hart, 1983; Bern-David and Loewy, 1998) that may result in further efficiency gains.
- An increase in exports may help in earning foreign exchange (Chenery and Strout, 1966), for importing inputs to meet domestic demand; debt servicing and preventing an overvaluation of the domestic currency.

There are some other important justifications also for export promotion. Some of these are (Asian Development Bank, 2005) given below:

- Participating in trade, especially export production and promotion, exposes a country to the latest and most advanced production and marketing techniques, and a "learning-by-doing" process that brings about dynamic innovation and technological diffusion into the economy. It also drives a country to higher production and to economies of scale, which lead to increasing returns (Felipe 2003).
- According to Taylor's "two-gap or three-gap" models (1993) which justify the need to earn foreign exchange via exports, the investment-savings gap and the foreign exchange gap are major obstacles to the growth and development of many developing countries. Since countries need precious foreign exchange for their development needs (capital goods, industrial raw materials, oil, and food), export earnings are more efficient means to finance these needs than foreign debt. Foreign debt is vulnerable to adverse exogenous shocks and currency risks and, therefore, may lead to debt defaults.
- A similar argument (McCombie and Thirlwall, 1994) claims that large balance-of-payment deficits, spurred by large import propensities or elasticities, may be a hindrance to growth for many developing countries. Thus, moderate trade deficits, or trade surpluses, are more desired. This, of course, implies that export growth should be in pace with, or ahead of, import growth.
- Felipe (2003), also argues that export-led strategies allow an expansion of aggregate demand without much inflationary pressure and without the danger of a wage-price spiral, compared

with strong domestic demand injections. Export growth and large earnings from exports help in real appreciation of the country's currency, keep inflation within manageable limits and allow real wages to rise.

But, the support for export-led-growth is not universal. There have been some critics as well. It works till some countries are there to import. Paul Krugman described that there is no "miracle" ... He said: "Asian growth, like that of the Soviet Union in its high-growth era, seems to be driven by extraordinary growth in inputs like labor and capital rather than by gains in efficiency." Critics point out that the experiences in the East and Southeast Asian countries are unique in many ways and not necessarily replicable in other countries (Buffie, 1992). The UNDP report of November 2009, based on the study of the impact of the global financial crisis on the Asia-Pacific region (Chhibber, Ghosh and Palanivel, 2009) concludes that Asia's export-led growth model is unsustainable.

6. PROBLEMS OF EXPORT-LED GROWTH

Every model of growth has its own benefits and limitations. Every policy does not fit all countries. It has been argued at International discussions that 'the export-led-growth model, which was once considered as an important force behind Asia's successful economies, is now under fierce attack and may not be developing nations' favourite development policy in the future. The sub-prime crisis led near-collapse in international trade that followed synchronized global recession in 2008, has seriously shaken Asia's confidence in this growth policy. In the recent past, the demand from major developed economies suddenly became pessimistic, leading to the international monetary fund anticipating a double-digit contraction in world trade volume'.

Some economists argued that the emphasis on export-led growth of most East Asia countries had a series of negative effects. If prevented the development of domestic market growth and has reinforced the dependency of developing countries on the developed world, thus becoming vulnerable to slowdowns in the latter's markets. Export-oriented economies are extremely dependent on foreign (mostly Western) demand. The problem is that any economic recessions in Europe, Japan, or US results into slow growth in the developing world.

To sum up, that the export-led-growth model followed by East Asian countries for several decades is not a permanent and potential strategy any longer and it is risky and dependent on the consumption pattern of the importing nations. Export-led-growth has harmed developing countries in several ways.

- To gain competitive advantage in international markets countries compromise and compete. As a result, companies are lowering requirements relating to labour laws and environment etc. or shifting production to countries in which these requirements are lower.
- The export-led-growth model encourages countries to divert more and more production capacity to produce export goods and commodities for global markets, which results in reduction of export prices and further starts a vicious cycle which has long been visible in deteriorating terms of trade in case of producers of primary commodities.

- Developing countries borrow in hard currency, and as their terms of trade deteriorate it becomes even harder to earn the currency needed to service their debts.
- Here, the argument is that export-led growth, especially when associated with export-processing zones, leads to superficial development with weak backward and forward linkages into the rest of the economy. This includes exploitation of workers, failure to generate widely shared rising incomes, increasing income disparities etc., which make it difficult to develop domestic markets and autonomously sustainable growth.
- Export-led development may work when adopted by one or even a few countries, but it takes on a zero-sum dimension when adopted by all.
- It has shifted the focus away from development rooted in domestic market growth and has increased exploitation of workers in developing countries. It has also harmed the global economy by creating an environment of excess capacity and deflation.

Thus, it can be said that such growth can work for first-comers, but it falls apart once all try to adopt the export-led-growth strategy. China's advent on to the world trading scene needs special mention in this regard. It is supplying huge labor force at low wages and its current population growth ensures that this will remain as it is in the future also. It is clear at this juncture that any developing country cannot possibly enter now the hierarchy of export-led-growth system with production costs below those of China.

7. ROLE OF EXPORT-ORIENTED INDUSTRIES IN ECONOMIC GROWTH

Import Intensity of India's Exports: It is considered imperative here to find the import content in major exports to find foreign exchange earnings per unit of export and import intensity of exports. This may give us some idea of contribution of changing export composition to overall growth. For this purpose latest input-output table prepared by Government of India is used. The 50 commodities × 50 commodities groups I-O table for India for the year 2014-15, is the main source for data presented in Table 1. This is the latest year for which a comprehensive and consistent I-O table for the Indian economy is available from official sources online.

The necessity of data provided in I-O Table was felt because it is difficult to estimate import intensity of exports from the aggregative macro-economic data on exports, imports and imports data a uniform system of industry-wise classification is not followed. Importing and exporting industries are different. Besides, the data on imports relate to total import requirements rather than import requirement for domestic manufacturing. This data is not directly useful for estimating import intensity of exports. Table 1 gives an idea of import content in major exports. In this table those industries are selected and considered export oriented where the value of exports is more than half million as per the export column of I-O table where figures are given in ` Lakh and USD Millions in Brackets.

The Table 1 shows that all the traditional exports commodities are less import intensive as compared to the non-traditional commodities.

Table 1: Input-Output Table (Export and Imports)

S. No.	Name of Products	April-2014-March-2015		Net Exchange earning per unit of export (Ex-Im/Ex)	Import Intensity (Im/Ex)
		Exports Value in INR Lacs (Value in USD Million)	Imports Value in INR Lacs (Value in USD Million)		
1	Mineral Fuels, Mineral Oils And Products of Their Distillation; Bituminous Substances; Mineral Waxes.	35,111,080.15 (156,400.01)	95,343,879.64 (57,620.04)	-1.72	2.715493
2	Natural or Cultured Pearls, Precious Or Semi-precious Stones	25,393,999.05 (62,379.92)	38,151,469.87 (41,549.72)	-0.50	1.502381
3	Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories	8,852,545.59 (31,730.65)	19,416,276.83 (14,473.84)	-1.19	2.193299
4	Nuclear Reactors, Boilers, Machinery And Mechanical Appliances	8,443,257.50 (33,149.35)	20,276,399.06 (13,802.85)	-1.40	2.40149
5	Organic Chemicals	7,306,890.31 (17,746.39)	10,831,982.70 (11,948.91)	-0.48	1.482434
6	Pharmaceutical Products	7,081,510.40 (11,690.78)	7,139,778.21 (11,584.58)	-0.01	1.008228
7	Cereals	5,828,221.99 (10,670.01)	6,518,454.42 (9,550.98)	-0.12	1.118429
8	Electrical Machinery And Equipment And Parts	5,315,391.02 (12,342.01)	7,551,631.15 (8,696.79)	-0.42	1.42071
9	Cotton	4,724,469.94 (7,471.64)	4,575,982.77 (7,717.95)	0.03	0.968571
10	Iron And Steel	5,307,513.71 (4,959.36)	3,066,257.87 (8,684.38)	0.42	0.57772
11	Articles Of Apparel And Clothing Accessories, Not Knitted Or Crocheted	5,622,087.16 (7,049.60)	4,310,910.32 (9,192.14)	0.23	0.766781
12	Articles Of Iron Or Steel	4,644,505.96 (7,361.19)	4,504,007.18 (7,592.08)	0.03	0.969749

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13	Articles Of Apparel And Clothing Accessories	4,680,411.21 (6,386.62)	3,910,614.77 (7,654.62)	0.16	0.835528
14	Plastic	3,102,209.23 (5,136.97)	3,141,315.34 (5,081.47)	-0.01	1.012606
15	Fish and Crustaceans	3,208,437.78 (3,640.61)	2,226,848.57 (5,249.51)	0.31	0.69406
16	Aircraft, Spacecraft, And Parts	3,775,464.90 (4,861.67)	2,972,245.62 (6,159.63)	0.21	0.787253
17	Meat and Edible Meat Offal	3,018,652.81 (4,707.23)	2,879,290.84 (4,929.27)	0.05	0.953833
18	Other Made Up Textile Articles, Sets, Worn Clothing And Worn Textile Articles	2,840,596.25 (4,177.54)	2,549,353.52 (4,645.64)	0.10	0.897471
19	Ships, Boats And Floating Structures.	3,265,722.06 (3,978.75)	2,435,514.10 (5,352.61)	0.25	0.745781
20	Miscellaneous Goods.	586,316.24 (3,253.58)	1,986,374.01 (958.83)	-2.39	3.387888
21	Miscellaneous Chemical Products.	1,943,227.63 (3,739.75)	2,287,782.49 (3,177.26)	-0.18	1.177311
22	Residues And Waste From The Food Industries; Prepared Animal Foder	1,000,615.29 (3,214.36)	1,964,148.35 (1,630.12)	-0.96	1.962941
23	Copper	2,057,558.53 (2,624.95)	1,602,106.17 (3,360.90)	0.22	0.778644
24	Coffee, Tea, Mate and Spices	1,756,310.10 (2,586.03)	1,580,186.59 (2,871.86)	0.10	0.89972
25	Rubber	1,665,754.81 (2,717.56)	1,660,861.64 (2,726.26)	0.00	0.997062
26	Man-Made Filaments.	1,462,108.71 (2,834.42)	1,735,882.15 (2,392.28)	-0.19	1.187246
27	Footwear	1,801,237.96 (2,672.08)	1,628,775.20 (2,948.14)	0.10	0.904253
28	Tanning Or Dyeing Extracts, Tannins And Their Deri. Dyes, Pigments And Other Colouring Matter, Paints	1,720,585.80 (1,628.06)	996,129.16 (2,818.61)	0.42	0.578948
29	Lac, Gums, Resins and other Vegetable Saps and Extracts	1,189,543.31 (1,608.02)	982,051.79 (1,947.54)	0.17	0.82557

30	Leather,Saddlery And Harness,Travel Goods, Handbags	1,550,118.38 (1,687.74)	1,032,308.23 (2,535.78)	0.33	0.665954
31	Ores, Slag And Ash.	599,229.20 (1,286.24)	787,346.19 (982.07)	-0.31	1.313932
32	Optical, Photographic Cinematographic Measuring, Checking Precision, Medical Or Surgical Inst.	1,445,896.81 (1,028.79)	629,006.97 (2,364.22)	0.56	0.435029
33	Man-Made Staple Fibres.	1,333,421.06 (1,386.82)	850,840.53 (2,179.38)	0.36	0.638088
34	Salt; Sulphur; Earths And Stone; Plastering Materials, Lime And Cement.	1,199,278.27 (824.87)	504,161.95 (1,962.68)	0.58	0.420388
35	Aluminium	1,737,710.32 (784.34)	479,262.95 (2,833.47)	0.72	0.275801
36	Oil Seeds and Olea, Fruits, Grains, Seeds and Fruits	1,356,084.23 (845.66)	517,448.36 (2,213.94)	0.62	0.381575
37	Edible Fruit and Nuts, Peel, or Cirtrus fruits	985,913.05 (739.67)	451,142.81 (1,610.71)	0.54	0.457589
38	Carpets And Other Textile Floor Coverings.	1,112,030.92 (730.28)	446,582.42 (1,819.67)	0.60	0.401592
39	Essential Oils And Resinoids, Perfumery, Cosmetic Or Toilet Preparations.	892,774.05 (383.27)	235,269.66 (1,460.66)	0.74	0.263527
40	Inorganic Chemicals; Organic Or Inorganic Compounds Of Precious Metals, Of Rare-Earth Metals	874,917.72 (762.86)	466,857.78 (1,429.87)	0.47	0.533602
41	Sugars And Sugar Confectionery.	657,472.60 (743.74)	453,897.15 (1,075.16)	0.31	0.690367
42	Edible Vegetables	721,603.07 (630.96)	385,665.37 (1,180.80)	0.47	0.534456
43	Articles Of Stone, Plaster, Cement, Asbestos	852,549.38 (733.43)	448,239.17 (1,395.84)	0.47	0.525763
44	Raw Hides And Skins And Leather	814,104.40 (671.85)	410,617.30 (1,333.64)	0.50	0.504379

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45	Furniture, Bedding, Mattresses, Mattress Supports, Cushions And Similar Stuffed Furnishing, Lamps And Lighting Fittings	719,440.53 (729.43)	446,276.14 (1,175.83)	0.38	0.62031
46	Paper And Paperboard	703,696.54 (630.78)	384,673.63 (1,151.35)	0.45	0.546647
47	Tobacco And Manufactured Tobacco Substitutes.	586,858.67 (560.44)	343,067.84 (958.62)	0.42	0.584583
48	Animal Or Vegetable Fats And Oils And Their Cleavage Products; Pre. Edible Fats; Animal Or Vegetable Waxex.	595,502.25 (498.89)	305,413.51 (973.29)	0.49	0.512867
49	Tools Implements, Cutlery, Spoons And Forks, Of Base Metal	544,081.95 (686.48)	418,870.41 (889.84)	0.23	0.769866
50	Dairy produce, Birds, Eggs Natural Honey	231,358.14 (541.59)	332,244.52 (379.03)	-0.44	1.436062
	India's Total Export/ Imports	**182,220,266.94 (439,607.24)**	**268,555,703.22 (298,224.66)**		

Source: Government of India Data 2014-2015

Ten industries where import content per unit of export is more than one unit are - Other non-metallic minerals, Communication equipment, Iron, Steel and Ferro alloys, Organic heavy chemicals, Edible oils other than Vanaspati, Electrical industrial machinery, Synthetic fibres and resin, Other electrical machinery, Other non-electrical machinery and Non-ferrous basic metals. All these industries are non-traditional from the point of view of exports. Other industries where import content per unit of exports is less than one are - Gems and jewellery, Ready-made garments, Petroleum products, Motor vehicles, Miscellaneous food products, Cotton textile, Drugs and medicines, Rubber products, Iron ore, Fishing, Leather and Leather products, Miscellaneous metal products, Miscellaneous textile products, Wheat, Art silk, Synthetic fiber textiles and Plastic products.

The Table reveals that import intensity of export commodities is in the range of -0.31 for ore (item no. 31) to 0.47 for metals (item no. 40). Increasing export of all the non- traditional commodities, which has been a result of export promotion policies, import intensity is greater than one. These are also the sectors which earn import entitlement for producing exportable commodities. If the export promotion policies result in additional exports which are import-intensive and also earn an import entitlement, then the net value to the country of the export earnings is likely to be significantly negative.

It is a general contention that that higher the import intensity of exports, lower is the net increase in the final demand in the economy on account of increased exports and hence, lower is the direct indirect effects in terms of growth of income and output... Increased import intensity for exports also implies lower linkage effects on the domestic economy. Thus, increasing exports by importing more is also a strategy basically aiming at trade balance rather than overall development of the domestic economy. To a very limited extent, it becomes a part of the 'export-led-growth' strategy. The genuine export promotion strategy has to be an integral part of the overall growth strategy of the country because it would generate linkage effects to the rest of the economy and direct and indirect effects on income, output and the indirect tax revenue of the government. Special attention has to be paid to specific problems of sectors and markets abroad. Similarly, efforts have to be made to induce entrepreneurs to take export business more seriously and on a long-term or permanent basis rather than the current practice of generally considering it a short-term and *ad-hoc* phenomenon.

On the basis of the foregoing analysis it can be concluded here that successful export-oriented industries are those which use less imported inputs and contribute more to the foreign exchange earnings. Such industries are-Readymade Garments, Miscellaneous Food Products, Cotton Textiles, Rubber Products, Iron Ore, Miscellaneous Textiles, Fishing and Leather and Leather Products. Some of these industries like– Readymade Garments and Miscellaneous Food Products and also show an upward trend as per the time-series export data. The industries like– Non-metallic Minerals, Organic Heavy Chemicals, Other Non-electrical Machines, Non-Ferrous Basic Metals, Other Electrical Machinery and Electrical Industrial Machinery which have started showing high exports recently, are highly capital import intensive also.

For arriving at some concrete conclusion each industry is required to be studied separately. However, on the basis of present analysis it can be inferred that the industries which can really be called export-oriented and are net foreign exchange earners are labour intensive, agro-based, traditional or raw material based. These industries should be promoted more and more.

8. CONCLUSIONS AND SUGGESTIONS

India needs some form of export-led growth to achieve economies of scale. The reason is that export-led-growth is not simply about exporting, but exporting in the context of a development strategy based on upgrading Indian Socio-economic-agro-industrial objective. It is about achieving an efficient combination between export-led-growth and economic growth. And thirdly, because the discussion of the policies to resume growth has to be framed in the more general context of what is constraining growth in present day circumstances.

Successful and sustained growth required growth in net exports. It is when one strategy is overemphasized at the expense of the other, that the growth strategy becomes unstable. The conclusion is that, for an export-led development strategy to cover all aspects of the economy as possible a more balanced and equitable growth in exports and imports from India is required.

Obviously, it requires the cooperation and participation of all sectors of the country so that India can access the large world markets and reduce its trade deficits with the surplus from other

countries and with a push to growth in the domestic demand and tradable sectors and a high level of infrastructure building.

A more balanced and equitable trade arrangement in India's trade should, therefore, lead to trade surpluses and trade deficits so that will be able to share in the benefits of international trade. What may happen is a move towards greater balance between the external and internal sources of growth and the adoption of a middle-path strategy between Export-led-Growth and Economic Growth.

The trade policy reforms which initiated in 1991, in India have drastically changed the foreign trade sector scenario and have resulted in the shift from inward-oriented policies to and outward-oriented policy. According to Deepak Nayyar, in large countries like India, where the domestic market is overwhelmingly important, sustained industrialization can only be based on the growth of the internal market. The vital fact is that the macro-economic interconnections between the foreign trade sector and the overall process of planning for industrialization are crucial. The solution to the problems of the national economy cannot be found through the foreign trade sector on the simple recipes associated with that. On the other hand, the problems of the foreign trade sector can be resolved to a considerable extent through an improved performance and a better management of the economy at home. In other words, "the tail cannot wag the dog".

Overall, it may be fair to say that openness, by leading to lower prices, better information and newer technologies, has a useful role to play in promoting growth. But it must be accompanied by appropriate complementary policies (most notably, education, infrastructure, financial and macro-economic policies) to yield strong growth results. The precise mix of trade and other policies that is needed will strongly depend on the specific circumstances of each country. It is therefore, important to focus on the detailed pathways through which trade liberalization in each country has and impact on poverty.

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