



A STUDY OF INDO-OECD TRADE DURING 1980-81 TO 2019-20

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ABSTRACT

In modern age, international trade is assumed an engine of economic growth and development. It facilitates vast international market with unlimited opportunities, technological advancement, competitive and efficient allocation of resources into units of economic size. It translates the agrarian and traditional economy into the modern industrialized economy. It expands entrepreneurship and tertiary sector also. Hence, it is a great stimulus for growth and development. The entire data for the present study is collected from the secondary sources. The main objective of the paper is to study the trend of India and OECD countries. Foreign trade contributes to economic development in a number of ways. First, the primary function of foreign trade is to explore means of procuring import of capital goods, without which no process of development can start. Secondly, it provides for flow of technology, which allows for increases in total factor productivity, Thirdly, it generates pressure for dynamic change through competitive pressure from imports, pressure of competing for exports markets, and a better allocation of resources. This paper analyzes the growth of INDO-OECD countries during the period. We find that more than 50 percent trade is recorded with OECD countries during the period 1987-88 to 1999-00 but it declined 20 percent trade and is recorded more than 30 percent is recorded with OECD countries during the period 1999-00 to 2019-20.

KEYWORDS: International Trade, OECD, Exports, Imports, Growth Rate, Balance of trade.

INTRODUCTION

Foreign trade is a vital variable of strategic importance in the economic equation of India. It constitutes the life-line of the Indian economy. Trade indeed activated the use of the unexploited natural resources and expanded the frontiers of the domestic market and energized the otherwise stagnant economy. While import have played a vital role in hastening the process of industrialization by supplying from abroad, the most crucial raw materials, capital goods, technical know-how and other inputs, which are indispensable for development. In the earlier stage United Kingdom, USA, Germany, Japan and France had achieved higher growth rates and become advanced and developed countries of the World through international trade. Newly developed countries South Korea, Taiwan, Singapore, Hong Kong, known as "Asian Tigers" have also accelerated their growth rates through international trade. International trade has great importance for Indian economy also. In the year 2000-2001 the contribution of trade was 22.58 percent of the GDP. Thus, more than one-fifth share of GDP is obtained from the trade sector only.

International trade is the trade between two or more than two countries. By direction of trade, we mean the countries with which our country has trading relations.

ORIGIN OF OECD (ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT):

Organization for Economic Development and Co-operation was established on 30th Sep. 1961. The OECD replaced the organization for European Administration of Marshall Plan aid and the Co-operative long been completed, though many of its activities had continued or had been adjusted to meet the needs of economic expansion. By the 1960s the once seemingly permanent dollar gap had disappeared, many quantitative restrictions on trade within Europe had been eliminated, and currency convertibility had been largely achieved. This increased economic interdependence suggested the need for an organization in which North American States would participate on an equal footing. Thus the OEEC, of which Canada and the United States had been only associate members, was transformed into the OECD. The new grouping was also viewed as a means of overseeing foreign aid contributions to less developed states. It later expanded to include virtually all the economically advanced free-marked states. Japan became a full member in 1964, followed by Finland in 1969, Australia in 1971, and New Zealand in 1973. The membership remained static until Mexico's accession in 1994. Subsequently, the Czech Republic (1995), Hungary (1996), Poland (1996), and South Korea (1996) joined. The member countries of OECD as follows : Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Republic of Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, USA. The aim of the OECD is to Co-ordinate the Welfare Policies of the member countries for promoting welfare activities in their respective economies.

OBJECTIVES

- i) To find out growth and trend of import, export of India with OECD countries during the period.
- ii) To analyse the share of OECD countries in imports and exports of India during the period.
- iii) Suggest measures to improve the balance of trade position of India with OECD countries.

RESEARCH METHODOLOGY:

The present study is entirely based on secondary data collected from Department of Economics and statistics, OECD, Paris, Director General of Commercial Intelligence Statistics, Calcutta, Central Statistical Organization, New Delhi, Handbook of Statistics on Indian Economy- RBI and publications from various websites. The period of study is 1987-88 to 2019-20. Data were analyzed by computing growth rate, compound growth rate, percentage, ratios and trends.

LITERATURE REVIEW

Soderstan (1980) emphasized that underdeveloped countries cannot achieve speedy economic development without trade and economic co-operation. International capital and merchandise transactions along with flow of technical know-how accelerate the pace of economic development and work as a powerful catalyst in transforming backward economies into developing and developed economies. Historical evidence have proved the utility of foreign capital beyond doubt and for most of the developed countries of today, foreign trade has really played the role of the 'engine of economic growth'.

Nayyar (1994) depicted that the Marrakesh agreement has opened up new opportunities for Indian exports, particularly in the areas of textiles and certain agricultural items. In India, there is growing concern that the benefits of free access to the OECD market may be undermined by non-tariff barriers in the form of stringent and sometimes arbitrary environment related regulations.

Johnston (1998) depicted that the market integration induced by trade and investment has led to deeper forms of economy more closely tied into the global economy. Developing countries rely on OECD countries for more than 60 percent of their trade. Trade and investment between developing countries are also on the rise as more than a third of their exports now go to each other.

According to Jha (1999) India has turned increasingly to the OECD as its exports market. In 1993, for instance, this market accounted for 57 percent of India's exports. The main products absorbed by this market are leather, textiles and food and agricultural products. The importance of the OECD in India's exports makes it vulnerable to the eco-regulations established by this market. The extent of vulnerability of these products will be determined by the cost of compliance involved and access to technology required in the process.

ANALYSIS AND INTERPRETATION

In the table - 1, India's export to the OECD countries has increased from Rs. 9,234 crore in the year 1987-88 to Rs. 91,461 crore in the year 1999-00. It reveals 9.90th fold increase during the period. And the growth rate is registered 19.29 percent annually during this period. Its share exhibits an increasing trend, which is clear from the diagram. India's imports from the OECD countries has increased from Rs. 13,310 crore in the year 1987-88 to Rs. 92,577 crore in the year 1999-20. It reveals 6.96th fold increase during the period. And the growth rate is registered 16.09 percent annually during this period. Its share exhibits an increasing trend, which is clear from the diagram. Export has increased more rapidly from the import. Though the growth rate of export is higher 19.29 percent as compared to import 16.09 percent annually during the period. India's export to the OECD countries has increased from Rs. 1,07,238 crore in the year 2000-01 to Rs. 3,04,309 crore in the year 2009-10. It reveals 2.84th fold increase during the period. And the growth rate is registered 10.99 percent annually during this period.

Table –1
India's Export, Import & BOT With OECD Countries During 1987-88 To 2019-2020

(Rupees in Crore)

Year	Export	Annual Growth (in %)	Import	Annual Growth (in %)	Balance of Trade	Annual Growth (in %)	Export Import Ratio (in %)
1987-88	9234	-	13310	-	-4076	-	69.38
1988-89	11777	27.54	17137	28.75	-5360	31.50	68.72
1989-90	15463	31.30	21285	24.20	-5822	8.62	72.65
1990-91	18389	18.92	24713	16.11	-6324	8.62	74.41
1991-92	25482	38.57	25939	4.96	-457	-92.77	98.24
1992-93	32466	27.41	35535	36.99	-3069	571.55	91.36
1993-94	39672	22.20	41037	15.48	-1365	-55.52	96.67
1994-95	48491	22.23	46256	12.72	2235	-263.74	104.83
1995-96	59223	22.13	64254	38.91	-5031	-325.10	92.17
1996-97	66035	11.50	69071	7.50	-3036	-39.65	95.60
1997-98	72415	9.66	79294	14.80	-6879	126.58	91.32
1998-99	81045	11.92	91965	15.98	-10920	58.74	88.13
1999-00	91461	12.85	92577	0.67	-1116	-89.78	98.79
2000-01	107238	17.25	92090	-0.53	15148	-1457.35	116.45
2001-02	103120	-3.84	98439	6.89	4681	-69.10	104.76
2002-03	127679	23.82	112766	14.55	14913	218.59	113.22
2003-04	136151	6.64	135889	20.51	262	-98.24	100.19
2004-05	163977	20.44	179681	32.23	-15704	-6093.89	91.26
2005-06	202936	23.76	229323	27.63	-26387	68.03	88.49
2006-07	240080	18.30	296110	29.12	-56030	112.34	81.08
2007-08	258764	7.78	358516	21.08	-99752	78.03	72.18
2008-09	314835	21.67	443316	23.65	-128481	28.80	71.02
2009-10	304309	-3.34	446645	0.75	-142336	10.78	68.13
2010-11	379767	24.80	515573	15.43	-135806	-4.59	73.66
2011-12	493572	29.97	695833	34.96	-202261	48.93	70.93
2012-13	559688	13.40	770231	10.69	-210543	4.09	72.66
2013-14	659203	17.78	697370	-9.46	-38167	-81.87	94.53
2014-15	668241	1.37	736111	5.56	-67870	77.82	90.78
2015-16	659910	-1.25	719138	-2.31	-59228	-12.73	91.76
2016-17	700520	6.15	732885	1.91	-32365	-45.36	95.58
2017-18	770981	10.06	816989	11.48	-46008	42.15	94.37
2018-19	896332	16.26	1012313	23.91	-115981	152.09	88.54
2019-20	879006	-1.93	946766	-6.47	-67760	-41.58	92.84

Source: Handbook of Statistics on Indian Economy- Reserve Bank of India.

Its share exhibits an increasing trend, which is clear from the diagram . India's imports from the OECD countries has increased from Rs. 92,090 crore in the year 2000-01 to Rs. 9,46,766 crore in the year 2009-10. It reveals 10.28th fold increase during the period. And the growth rate is registered 17.10 percent annually during this period. Import has increased more rapidly from the export. India's export to the OECD countries has increased from Rs. 3,79,767 crore in the year 2010-11 to Rs. 8,79,006 crore in the year 2019-20. It reveals 2.31th fold increase during the period. And the growth rate is registered 8.75 percent annually during this period, which is clear from the diagram . India's imports from the OECD countries has increased from Rs. 5,15,573 crore in the year 2010-11 to Rs. 9,46,766 crore in the year 2019-

20. It reveals 1.84th fold increase during the period. And the growth rate is registered 6.27 percent annually during this period. Import has increased more rapidly from the export. It is also evident from the table – 1 that the export-import ratios has increased from 69.38 percent in the year 1987-88 to 92.84 percent in the year 2019-20. However, it has improved by 23.46 percent during the period. The export import ratios exhibits an increasing trend over the period 1987-88 to 2019-20 which is clear from the diagram.

Compound Annual Growth Rate (in %)		
Year	Export	Import
1988-2000	19.29	16.09
2001-2010	10.99	17.10
2011-2020	8.75	6.27

Trends in Indo-OECD Export/ Import Ratio During 1987-88 to 2019-20

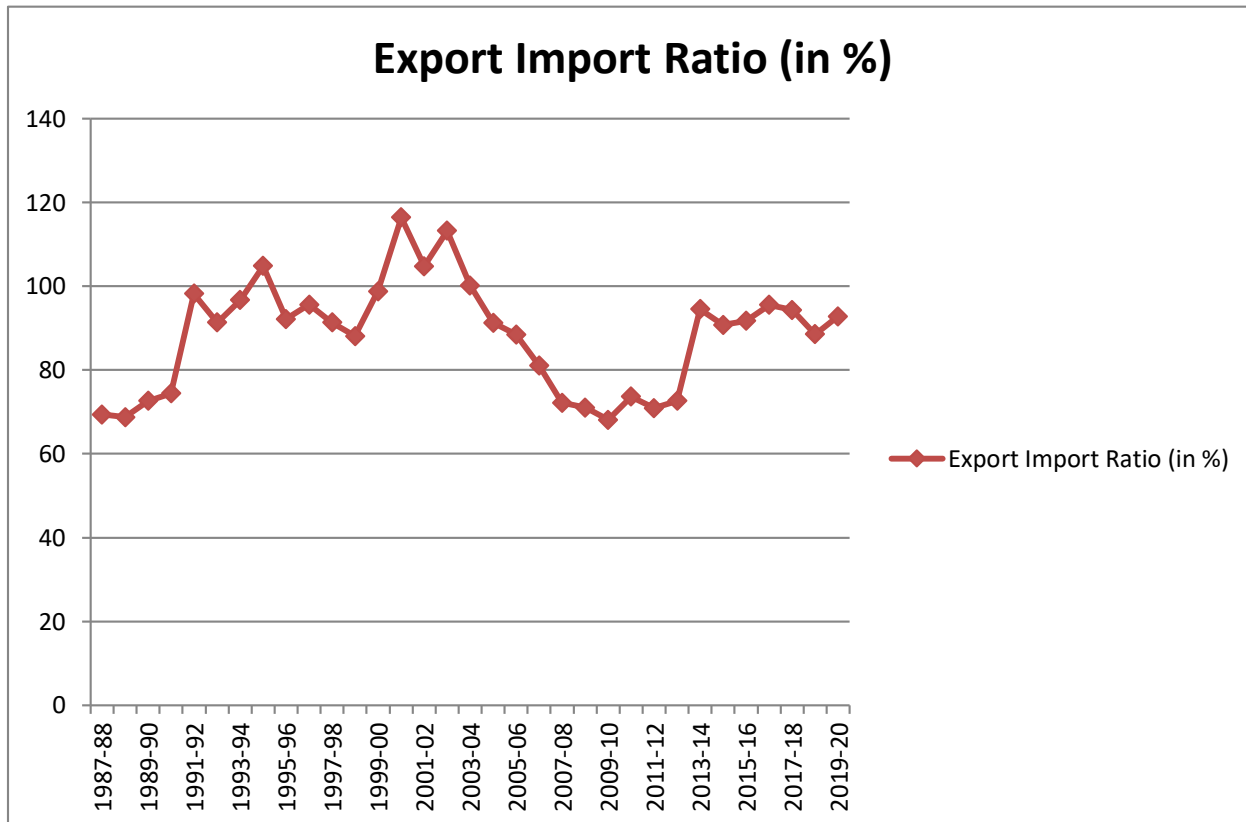


Table-2

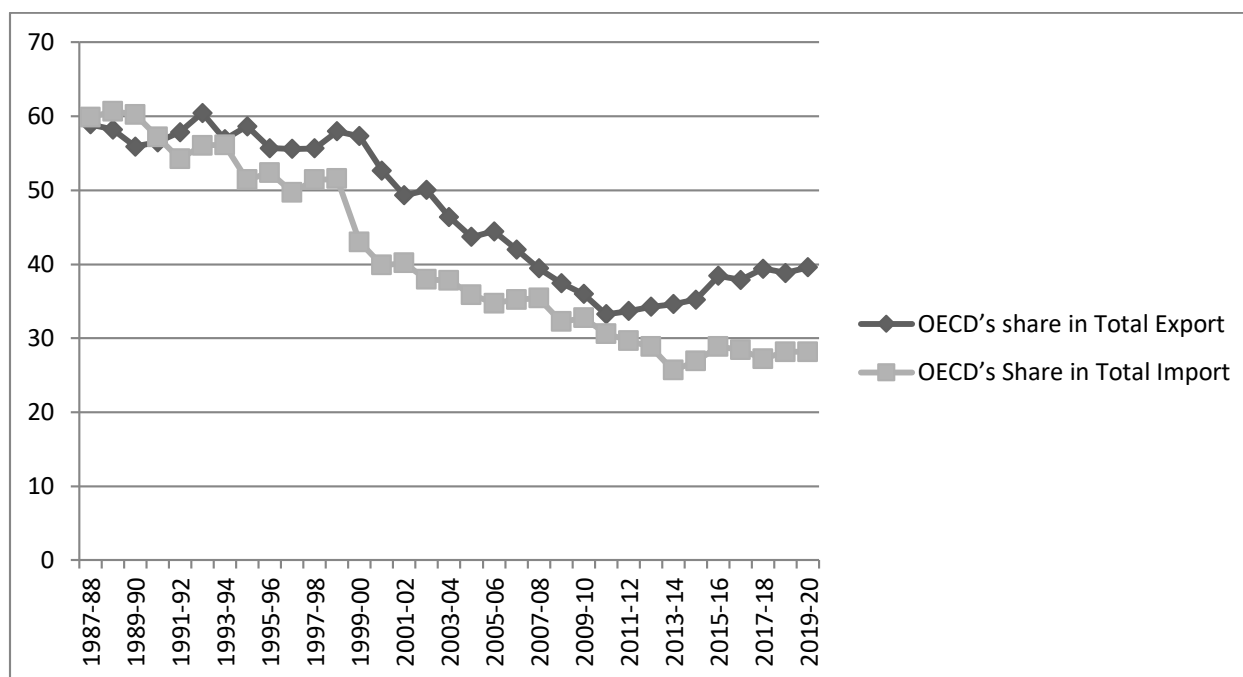
OECD'S Share of Exports & Imports in Total Exports and Imports During 1987-88 to 2019-2020

(Rupees In Crore)

Year	Total Export	Indo OECD Export	OECD's share in Total Export	Total Import	Indo OECD Import	OECD's Share in Total Import
1987-88	15674	9234	58.91	22244	13310	59.84
1988-89	20232	11777	58.21	28235	17137	60.69
1989-90	27658	15463	55.91	35328	21285	60.25
1990-91	32558	18389	56.48	43193	24713	57.22
1991-92	44042	25482	57.86	47851	25939	54.21
1992-93	53688	32466	60.47	63375	35535	56.07
1993-94	69751	39672	56.88	73101	41037	56.14
1994-95	82674	48491	58.65	89971	46256	51.41
1995-96	106353	59223	55.69	122678	64254	52.38
1996-97	118817	66035	55.58	138920	69071	49.72
1997-98	130101	72415	55.66	154176	79294	51.43
1998-99	139753	81045	57.99	178332	91965	51.57
1999-00	159561	91461	57.32	215237	92577	43.01
2000-01	203571	107238	52.68	230873	92090	39.89
2001-02	209018	103120	49.34	245200	98439	40.15
2002-03	255137	127679	50.04	297206	112766	37.94
2003-04	293367	136151	46.41	359108	135889	37.84
2004-05	375340	163977	43.69	501065	179681	35.86
2005-06	456418	202936	44.46	660409	229323	34.72
2006-07	571779	240080	41.99	840506	296110	35.23
2007-08	655864	258764	39.45	1012312	358516	35.42
2008-09	840755	314835	37.45	1374436	443316	32.25
2009-10	845534	304309	35.99	1363736	446645	32.75
2010-11	1142922	379767	33.23	1683467	515573	30.63
2011-12	1465959	493572	33.67	2345463	695833	29.67
2012-13	1634318	559688	34.25	2669162	770231	28.86
2013-14	1905011	659203	34.60	2715434	697370	25.68
2014-15	1896445	668241	35.24	2737087	736111	26.89
2015-16	1716384	659910	38.45	2490306	719138	28.88
2016-17	1849434	700520	37.88	2577675	732885	28.43
2017-18	1956515	770981	39.41	3001033	816989	27.22
2018-19	2307726	896332	38.84	3594675	1012313	28.16
2019-20	2219854	879006	39.60	3360954	946766	28.17

Source: Handbook of Statistics on Indian Economy- Reserve Bank of India.

Trends in OECD's share in India's Total Export & Import during 1987-88 to 2019-20



CONCLUSION

The study of the past 33 years of the Indo-OECD trade clearly reveals that apart from 4-5 years, all the successive years show a clear deficit i.e.; the balance of trade is unfavourable to India. Hence, logically there are only two options open before us - Firstly, the reduction of imports and secondly, the promotion of exports. There are several reasons for this deceleration. Exports of a number of products suffered a decline. International commodities prices fell leading to a decline in the value of exports for the same volumes traded. There was a sharp decline in the volume of primary and semi-finished iron and steel exports. Indian rupee has been turning out to be overvalued under the impact of large inflows of foreign capital. Exports suffered from infrastructural inadequacies. There was a slow-down in the global trade. Exports have suffered from procedural tangles.

SUGGESTIONS

India can reduce the import of edible oil and pulses by increasing the production and productivity of edible oils and pulses and the imports of petroleum and crude oils may be reduced by using more and more our resources on Bombay high and setting of oil drilling Wells at Godavari delta. Thus, 10% of our total import can be easily reduced. The import of capital should not be reduced because it will increase the productivity of the commodity, but also increase the quality of the products and minimise the cost of production. Thus, the import of capital will increase the export potential of the nations. The specific sectors targeted for promotion include textiles, Gems and Jewellery, agricultural products and engineering the mainstay of the export basket. To promote these sectors, special attention and weightage has been given under the export policies as cut in export credit rates, elimination of value caps for over 300 product groups and promotion of special economic zones and agri-export zones.

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