PERFORMANCE OF INDIAN EXPORTS DURING THE POST WTO PERIOD: A CRITICAL EVALUATION

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ABSTRACT

The present paper is an attempt to study the performance of exports of India by examining the commodity composition and direction of Indian merchandise exports. An attempt has also been made to measure its impact on Gross Domestic Product and Balance of Trade during the post WTO regime. Based on the VECM results, the evidences support that there exist a signifIcant long term bidirectional causation between the variables i.e. export causes economic growth and economic growth has influenced exports growth during the post WTO period. The study found that there is an increase in Indian merchandise exports during the post WTO Period from 1995-96 to 2009-10 but it could not reduce the trade deficit. The study further found that both exports and imports have increased as a percentage of GDP during the period under study. However, imports have increased at much higher rate as compared to exports as a result of which additional revenue has not been generated to improve the standard of living of the society in India. On the basis of analysis, we recommend that there is a need to review the foreign trade policy followed during the post reforms/WTO Regime. The study further recommends that the policy makers should think on an alternative model of development based on the vast domestic market.

Keywords: Export Performance, WTO, GDP

INTRODUCTION

The ultimate goal of economic development is to raise the level of living of the large majority. The economic development of an economy is depending upon the activities of human efforts on productive actions. The challenge of development… is to improve the quality of life. Especially in the world's poor countries, a better quality of life generally calls for higher incomes- but it involves much more. It encompass as ends in themselves better education, higher standard of health and nutrition, less poverty, a cleaner environment, more equality of opportunity, greater individual freedom and a richer cultural life (World Development Report, 1991).

Debate is going on among the economists and the policy makers, regarding the choice of strategy of development for a country. According to one school of thought, all countries are dependent on each other. All the countries must accept the fact that they are part of a world economy. The growth in International business has forged a network of global linkages around the world that binds all countries, institutions and individuals-much closer than ever before (Czinkota et al. 1994). Therefore, it is difficult for a country to survive without trade with other countries due to the unequal distribution of natural resources. Large share of basic needs of human beings depend upon the trade in the contemporary world. Therefore, trade must be promoted for steady and sustainable economic growth in the world economy.

The various theories of International Trade like Absolute Advantage Theory, Comparative Advantage Theory, Heckscher and Ohlin Theory and Porter's Competitive Advantage of Nations etc advocates that trade is good for the global economy. Trade appears to be one of the most distinctive and fundamental activity of human societies (Arora, 2007). The diversity in the geographical distribution of wealth and natural resources compel humankind to obtain those commodities from remote areas, which cannot be generated within his own locality. The differences of human wants account for an extensive system of exchange between the inhabitants of different places and nations (ibid 2007). International trade strengthened foreign exchange reserves and accelerate the supply of imports of capital goods in the country, which results in enhanced productive capacity at domestic level and improved situation of balance of payments in the economy of each country.

The above discussion leads us to the conclusion that External sector is very significant for a country to achieve growth at domestic and international level. The performance of export of any country is hallmark of its competitive status at global level and performance of imports are recognized as an indicator of high standard of living of people of a country.

There is another school of thought, which argues that developing and economically weak countries should go for the Import Substitution Policy (Inward-looking Development Strategy), by producing those products which a country used to import from the other countries. By doing so a country may reduce its import bill and improve its balance of payments situation. The argument is that a country should take measures to become self-reliant rather than dependent on other countries over the period of time. To achieve the goal of self reliance, more and more countries across the world adopted the import substitution policy approach during the first half of the 20th century. However, the increasing marketisation of the production processes mainly controlled by developed world led by the TNCs have created an environment in which the developing and least developed countries have been compelled to open their economies for the production of developed world. The formation of WTO has further activated the process of liberalization and globalization.

The World Trade Organization (WTO), which established on 1st January 1995, replaced the General Agreement on Tariffs and Trade (GATT). WTO is a Multilateral Trade body, which provides a comprehensive regulatory framework for the promotion of global trade. It has 153 members on May, 2010, which is representing more than 97 per cent of total World Trade.

Prior to the formation of WTO, India had largely been remained insulated from the world trading system for more than four decades since independence (Srinivasan, 2001). It has been argued that decades of pursuit of an inward-looking development strategy, almost hostile attitude towards foreign trade, technology and investment and by pessimism about export markets, inevitably led India to become marginalized in world trade (Ibid, 2001). In the light of above situation, Indian policy makers introduced large scale reforms after 1991.

The Government of India have taken a number of initiatives in the foreign trade policy like simplification of Import-Export procedure, reduction in Tariffs and Non-Tariffs barriers, Foreign Currency reforms, Liberal Credit, setting up of Export Promotion Zones, incentives for the Foreign Companies and Joint Ventures etc. As a result of these reforms, the commodity structure and geographical pattern of exports of India has changed under the WTO regime. The total value of India's international trade has gone up during the post reforms period. However, Inspite of the remarkable growth in Indian trade, its share in world trade was only 0.66 percent in 2001, which was less than that of small countries like Taiwan and Singapore (Datt, 2006). In 1980-81, exports as percentage of GDP were only 5.5 percent, which marginally increased to 5.8 percent in 1990-91 which substantially improved to 11.7 percent in 2003-04. This implies the growing importance of exports for the Indian economy (ibid).

Objectives of the Study

The present paper is an attempt to study the performance of export sector of India during the post reforms period from 1995-96 to 2009-10. To measure the performance of Indian exports, the present study has focused on the following objectives:

- To study the commodity composition of Indian merchandise exports over the period under study;
- To study the direction of Indian merchandise exports during the period under study;
- To study the impact of export reforms on the Gross Domestic Product (GDP) during the WTO regime and;
- To study the impact of the exports performance on the India's balance of trade during the study period.

The above objectives have been achieved by examining the performance of Indian exports during the Trade Liberalization Regime i.e. from 1995-96 to 2009-10. The analysis has been divided into four sections. Section-II deals with a brief review of the selected studies, followed by data base and methodology. Trade policy reforms in India during the trade liberalization regime are analyzed in Section-III. The analysis of data and findings of the study, conclusions and recommendations are presented in Section-IV.

SECTION II

EVIEW OF LITERATURE

The performance of Exports has been examined extensively in the theoretical and empirical literature. The Trade and development literature has emphasized exports as a vehicle to speed up economic growth through a variety of channels, namely, efficient allocation of resources, improved productivity, economies of scale, enhanced capacity utilization, and diffusion of modern technological knowledge and innovation. It is due to these considerations that most of the countries around the world had embraced export oriented policies as part of their growth strategies. However, the Marxist or the neo- Marxist considers trade as one mechanism for exploitation of the less developed countries (LDCs) by the industrialized West (Rati Ram, 1985). Although further theoretical insights would be valuable, empirical analysis of the issues are needed as well for a better understanding of the relationship between exports and growth (ibid). Number of studies, both empirical and conceptual has been conducted to examine the relationship between exports and economic growth. The evidences from literature have revealed both positive and negative effects of exports growth on the economic growth.

One school of thought favour trade liberalization policy while other opposes it. The studies which described the positive relationship between export growth and economic growth includes Feder (1982) and Marin (1992) which found that countries exporting a major part of their production seem to grow faster than others. The growth in exports results from reduced protectionism and it has a stimulating influence across the economy as a whole in the form of technological spillovers and other externalities. All these studies have investigated the relationship between export growth and economic growth using a variety of techniques. Gupta (1985) applied causality test (Haugh 1976 and Sims 1972) to analyze the relationship between export growth and economic growth of Israel and South Korea covering the period of first quarter of 1960 to the last quarter of 1979. The study found that there is a positive relationship between GNP (Gross National Product) growth and export growth. Others studies like Balassa (1978), Michaelopouls and Jay (1973), Tyler (1981), and Krueger (1977) also support this hypothesis.

Krueger (1998) also recommended the policymakers to adopt pure outward oriented strategies because trade liberalization enabled a country to achieve a higher rate of growth. Similarly, Kalirajan, K. (2001) found that trade policy reforms has contributed positively to Gross Domestic Product (GDP), protected the interest of consumers, and benefited to the economy as a whole. According to Thirlwall (2000), trade liberalization and export performance is positively correlated but it depends upon the production and demand characteristics of the goods produced and exported. Babatunde (2009) used panel least square estimation technique to determine the impact of real exchange rate based trade liberalization in promoting the export growth of Sub-Saharan Africa during the period 1980 to 2005. The study found that trade liberalization stimulates export performance through increased access to imported inputs. The study further identified evidences that a more competitive and stable real effective exchange rate positively influence export performance.

On the other hand, Bhagwati, Jagdish N. and Srinivasan, T. N. (1975) found that the foreign trade policy reforms led to negative impact on the India's economic growth, saving, research and development (i.e. domestic policies) during the period 1950-70. Sidhu et al. (2004) covered a period of 20 years i.e. 1980-81 to 1999-2000 and used time series data to analyze the significant changes in commodity composition and the direction of Indian merchandise exports and imports. The study found that foreign trade reforms could not contribute positively to reduce balance of payment deficit due to the reason that the percentage increase in exports was less than percentage increase in imports. Kusi (2002) found that trade liberalization could not produce expected gains to export performance and clear relationship between trade reforms and improved export performance was lacking.

Pacheco-Lopez (2004) found that trade reforms of Mexico during the mid 1980s had a significant impact on trade, exports and imports but the propensity to import has exceeded the propensity to export which worsened the balance of trade. Jenkins (1996) analyzed the impact of trade liberalization on export growth of Bolivian through three means (i) removal of bias against exports; (ii) access to imported inputs; and (iii) more competitive and stable real effective exchange rate. The study found that better export performance has been associated with more competitive and stable real effective exchange rate and trade liberalization has not had a major direct impact on manufactured exports. The summarized form of review of literature is presented in table-I.

Table 1: Literature Focusing on the Impact of Trade Liberalization on Export Performance

Author	Country	Results
Jagdish N. Bhagwati and T.N. Srinivasan (1975)	India	Wasteful allocation of resources among inter-industrial and inter -firm and the foreign trade policy changes led to negative impact on the economy's growth, saving, research and development (i.e. domestic policies).
Feder (1982)	Developing countries	Countries exporting a major part of their production seem to grow faster than others.
Marin (1992)	Developing countries	Supported outward oriented strategies
Sanjeev Gupta (1985)	Israel and South Africa	Positive relationship between GNP (Gross National Product) Growth and export growth
Rhys Jenkins (1996)	Bolivia	Better export performance has been associated with more competitive and stable real effective exchange rate and trade liberalization has not had a major direct impact on manufactured exports.
Anne O. Krueger (1998)	Developing Economies	Outer oriented strategies led more growth in the developing economies
Kaliaapa Kalirajan (2001)	India	Trade policy reforms has contributed positively to Gross Domestic Product (GDP), protected the interest of consumers, and benefited to the economy as a whole.
Newman Kwadwo Kusi (2002)	South Africa	Trade liberalization could not produce expected gains to export performance
A.S. Sidhu and Ratinder Kaur (2004)	India	Foreign trade reforms could not contribute positively to reduction of balance of payment deficit due to the reason that the percentage increases in exports was less than percentage increase in imports.
Musibau Adetunji Babatunde (2009)	Sub Saharan Africa	Trade liberalization stimulate export performance through increased access to imported inputs and evidence revealed that a more competitive and stable real effective exchange rate positively influence export performance.
Anthony P. T hirlwall (2000)	41 African and Asian countries	Trade liberalization and export performance is positively correlated but it depends on the production and demand characteristics of the goods produced and exported.
Penelope Pacheco-Lopez (2004)	Mexico	Trade reforms had a significant impact on trade, exports, and imports but the propensity to import has exceeded the propensity to export, which led to negative impact on the balance of trade.

In the light of above debate on the gains from Export-led Growth for the developing countries, the following methodology has been designed to address the objectives laid down for the present study.

DATA BASE AND RESEARCH METHODOLOGY

The secondary data have been used to analyze the performance of external sector of India. The secondary data have been taken from various sources, which include Economic Survey of India, and various issues of Reserve Bank of India. The data have also been taken from the Reports of Centre for Monitoring of Indian economy (CMIE), and Official Websites of the Government of India. The present study covers a comprehensive period of 15 years from 1995-96 to 2009-10 to evaluate the performance of exports with special focus on composition and direction of Indian exports.

The data on composition and direction of Indian exports have been taken from the Reserve Bank of India. To study the composition of Indian merchandise exports, the average percentage share of agricultural & allied products, ores and minerals, leather & manufacturing, chemicals & allied products, engineering goods, gems & jewellery, handicrafts, petroleum and others have been calculated for the period under study. The direction of Indian exports has been analyzed by calculating the percentage share of all the imperative destinations, namely, OECD* (Organization for Economic Cooperation and Development), OPEC* (Organization of

Petroleum Exporting Countries), Eastern Europe* and Developing countries*.

The performance of Indian exports under the trade liberalization period has been examined with the help of the Granger causality test. Therefore, to apply Granger Causality test, the quarterly data has been taken. There is a general consensus among the researchers that the number of observations should be more than thirty for the application of this test. So accordingly, the data on quarter basis was generated from the monthly data. The data used for this analysis is taken from 1996-97 Q1 to 2008-09 Q4, which comprises 52 observations**. All the data has been taken from Handbook of Statistics of Indian Economy published by the Reserve Bank of India (RBI). We have taken three variables namely, real exports (X), real imports (M) and real GDP (measured as economic growth) to study the causal relationship between exports and economic growth. The value of real exports is obtained by taking the value of exports in domestic currency and divided by the GDP deflator index (base year 2000). The GDP deflator index is used as price deflator for all nominal series to deflate the inflationary effects. The real exports, real imports and real GDP are transformed to natural logs denoted as lnX, lnM and lnGDP.

There are large number of empirical studies that validate the strong relationship between exports and economic growth. An assessment of the relationship between exports and economic growth has got more attention during the era of globalization. Several studies like Michaely (1977), Balassa (1978), Tyler (1981), Gupta (1985), Kavoussi (1984), Ram (1985), Sheehey (1990), and Hatemi and Irandoust (2002) found positive impact of exports on economic growth, while the others studies like Boltho (1996) and Medina Smith (2001) found negative or neutral effects and raise some doubts with regard to promoting exports as a comprehensive development strategy.

In the light of this controversy, an attempt has been made to apply the co-integration and vector error correction model to examine the ELG hypothesis in India during the post WTO regime. To set the stage for Granger Causality test, stationarity and the order of integration of the variables was initially examined through unit root tests. A number of unit root tests are available for this purpose. In the present study, the Phillips–Perron test (named after Peter C. B. Phillips and Pierre Perron) is used. It is a non parametric test, which is used to examine whether the variables are stationary or non-stationary and, also used to test the null hypothesis that a time series is integrated of order one i.e. I(1).

If the variables are integrated of order one, we may proceed further to calculate co-integration rank using the maximum likelihood test. For this purpose, we have used the procedure established by Johansen and Juselius (1990) and Johansen (1991) to examine the existence of a long run equilibrium relationship between exports and economic growth. After examination of the long run equilibrium relationship, the next step is to test the direction of causality using the error correction model of Engle and Granger (1987).

*The OECD includes Eastern Union (like Belgium, France, Italy, Netherlands and UK); North America (like Canada and USA), Asia and Oceania (like Australia and Japan) and other OECD countries. The OPEC includes countries, namely, Indonesia, Iran, Iraq, Kuwait, Saudi Arabia and U.A.E. and Eastern Europe includes Romania and Russia. The developing countries include continent Asia, Africa and Latin American countries.

**To bring uniformity, quarterly data was developed on the basis of monthly data, as the GDP data were available on quarterly basis only.

If the variables have co integrating vector (or equation), it means causality exists in at least one direction. According to Engle and Granger (1987), if two series, say X and Y, are integrated, then there is a possibility of a causal relationship in at least one direction. The direction of a causal relationship can be identified in the Vector Error Correction Model (VECM). Engle and Granger (1987) found that, in the existence of co-integration, it always presents a corresponding error-correction representation, captured by the error correction term (ECT). This means that changes in the dependent variable are a function of the level of disequilibrium in the co-integrating relationship as well as changes in other explanatory variables (Bhattacharya, 2009). The ECT is used to determine long run adjustment of co-integration variables and the incorporation of ECT in the VECM allows us to detecting both short and long run causal relationship among variables.

Hypotheses of the Study

For the purpose of the analysis, the following hypotheses are tested:

Table-2

Null Hypotheses	Alternative Hypotheses
1. H0: Exports Growth (X) does not cause GDP	H1: Exports Growth (X) cause GDP
2. H0: GDP does not cause Exports Growth (X)	H1: GDP cause Exports Growth (X)

SECTION III

RADE POLICY REFORMS IN INDIA DURING THE POST-LIBERALIZATION PERIOD

Many countries of the world adopted outward-looking strategies with a view to integrating themselves into the world economy to improve their growth prospects during the last quarter of the twentieth century. In the era of globalization, trade policy of each country reflects the main aim of achieving greater openness through export promotion strategies, liberal import policies and competitive exchange rate policies. In the light of the experience of other countries and in the expectation of the positive impact of export promotion led growth model, large scale reforms and the policy changes have been introduced in India since early nineties. India presents an interesting case in view of there increasing emphasis on outward-looking policies from a broader perspective. The reforms implemented in India during the post-reforms are not very different from the reforms undertaken by many developing countries. However, the difference lies in the speed with which these reforms have been implemented. India's reforms are being implemented in

a gradual manner like China. Nevertheless, the reasons for the gradual approach to reforms are different for China and India. Being the largest democracy with a pluralist society in the world has made it necessary for India to obtain a reasonable consensus across different interest groups before policy changes could be implemented and this has been the major cause for the slow pace of reforms. The main thrusts of trade policy reforms have been to open up India's trade and hence the policy measures had been related to export promotion and import liberalization' (Kalirajan, 2001).

In the expectation that trade liberalization accelerate the process of economic growth, India become the founder member of WTO by signing this agreement before 31 December, 1994.

The Trade policy of India was in need of major reforms as India could not expand its share in global exports. The relative bias against exports is highlighted by the fact that the exports remained stagnated between four to seven percent of GNP (Gross National Product) for about four decades and it was as low as 4.6 per cent in 1972-73, reached 7.2 per cent in 1976-77, and has since settled down to around 6 per cent during the 1980s (Kumar, et al. 1980). India's share in global exports has declined steadily throughout first four decades, from 2.4 per cent in 1948 to 0.4 per cent in 1984 and its share in exports of all developing countries has also declined, from 4.6 per cent in 1955 to 1.7 per cent in 1984 (ibid). Indian exporters faced many obstacles which affected their export prospects. The statistics reveals that the export growth in India has neither been adequate according to its requirements nor in line with the expansion of world trade or other developing countries.

Over the years, the significant changes in the foreign trade policy of India have been focused towards liberalization: Country-specific and commodity-specific measures have been taken to promote exports. Efforts have also been made to reorient institutional infrastructure towards creating an export friendly environment (Economic Survey of India, 1999-00) to achieve the higher economic growth. It is now widely recognized that major reforms in trade policy have accelerated India's transition towards a globally oriented market by stimulating exports and facilitating imports of indispensable inputs as well as capital goods. The trade liberalization episodes have generally reduced export-bias and supported the export-led-growth hypothesis. Trade policy reforms measures include free exports and imports; reduction and rationalization of tariff structure and removal of Non-Tariff Barriers; decentralization; liberalization of exchange rate regime; setting up of trading houses, Special Economic Zones, Export Promotion Industrial Parks; reservation of items for Small Scale Sector and reforms in labour laws; and Various exemptions under the EXIM policies to increase exports and imports and make the trade policy regime transparent and less cumbersome. The following trade policy reforms have been introduced from time to time by the Government of India during the Post Liberalization. The EXIM Policy measures of 1992-97, 1997-02, and 2002-07 are given in Appendix-I.

- In 1991 imports were regulated by means of a positive list of freely importable items. Since 1992 imports are regulated through a limited negative list rather than an examtive.
- Quantitative restrictions on imports of most intermediate inputs and capital goods have been eliminated.
- In July 1991 out of 5021 Harmonized System (H.S.) tariff lines (6 digits), 80 percent i.e. 4000 lines were subject to import licensing restrictions. As of December, 1995 more than 3000 tariff lines covering raw materials, intermediates and capital goods were made free of import licensing requirements.
- A large number of items covering 1487 tariff lines whose import is otherwise restricted, are now allowed to be imported under freely tradable special import licences, which are granted to the export houses/ trading houses/star trading houses and super star-trading houses.
- Control on exports has been liberalized to the extent that now all goods may be exported without any restriction except the few items mentioned in the negative list of exports. The items in the negative list are regulated because of strategic considerations, environmental and ecological grounds, essentially domestic requirements, employment generation, and on grounds of socio-cultural heritage. (Economic Survey, 1995-96)
- Import restrictions were gradually lifted in the course of 1991-92 and the new liberalized exchange rate management system was introduced in the budget in 1992-93 to remove import licensing in most capital goods, raw materials, intermediates and components and introduced a dual exchange rate system with one rate effectively floated in the market (Mathur, 2006)

SECTION-IV

XPORT PERFORMANCE DURING POST WTO PERIOD

Global economic integration in all its manifestations aimed at improving allocation of resources, raising economic growth, promoting technology transfer, enhancing market size, creating a fair competition, reducing poverty and to raise the living standards of people (Wolf, 2005). The open trade regime has produced huge opportunities for higher growth by creating positive conditions to flourish trade at global level. The government of India as discussed in the previous section has introduced a variety of reforms in the foreign trade policy to compete at international level. However, how these policy changes have affected the performance of Indian exports is an issue of debate. The following discussion is focused on this aspect.

Dynamics of Commodity Composition of Indian Exports

Table 3 presents the commodity composition of Indian exports and the items of composition of the Indian exports include, namely, agricultural & allied products, ores & minerals, manufactured goods and petroleum and others. The principal item of Indian Exports has been represented by agricultural based commodities. The data reveals that it contributes in the range of 13-14 percent of total exports. The share of agricultural & allied products was 19.13 per cent in 1995-96, which increased to 20.50 per cent in 1996-97. However, it declined to 18.93 per cent in 1997-98, 18.16 per cent in 1998-99, and 15.23 per cent in 1999-2000, which further declined to 13.40 per cent in 2000-01. It slightly increased to

13.46 per cent in 2001-02 as compared to the previous year, which again declined to 12.73 per cent in 2002-03, 11.79 per cent in 2003-04, 10.14 per cent in 2004-05 and 9.91 per cent in 2005-06. Its share improved for two consecutive years, namely, 10.03 per cent in 2006-07 and 11.31 per cent in the year 2007-08, which again declined to 9.59 per cent in 2008-09. The analysis of data reveals that the share of agricultural and allied products declined to 9.59 per cent in 2008-09 from 16.05 per cent in 1994-95. So the study found that the share of agricultural commodities has declined during the post WTO period.

The analysis of data reveals that the percentage share of ore and minerals in the total Indian exports has continuously declined in the first five years of WTO period. The annual growth rate of ore and minerals was 3.69 per cent in 1995-96, which declined to 2.49 per cent in 1999-2000. However, annual growth rate of ores and minerals slightly increased from 2.58 per cent in 2000-01 to 3.71 per cent in 2003-04, which further increased to 6.08 per cent in 2004-05. It declined to 5.97 per cent and 5.54 per cent in 2005-06 and 2006-07 respectively. The share of ore and minerals slightly improved to 5.59 per cent in recession period of 2007-08, which further declined to 4.27 per cent in 2008-09.

The annual average percentage of the share of manufactured goods in Indian exports was 74.68 per cent in 1995-96, which declined to 73.54 per cent in 1996-97. However, it improved during the next three consecutive years and reached to 75.83 per cent in 1997-98, 77.64 per cent in 1998-99 and 80.7 per cent in 1999-00, which declined for two consecutive years to 77.05 per cent in 2000-01 and 76.13 per cent in 2001-02. In 2002-03, it slightly increased to 76.33 per cent. The share of manufactured goods again declined to 75.95 per cent in 2003-04, 72.69 per cent in 2004-05, 70.38 per cent in 2005-06, 67.20 per cent in 2006-07, which further declined to the level of 63.19 per cent in 2007-08. From the analysis of data, the study found that the annual average share of manufactured goods was 74.68 per cent in 1995-96, which declined to 67.37 per cent during the post WTO period.

Table 3 further reveals that the share of petroleum products in the total exports was 1.43 per cent in 1995-96, which rose to 14.67 per cent in 2008-09. The analysis reveals that the share of petroleum products has shown a declining trend during the period from 1995-96 to 1999-00. The share of petroleum products was increased from 4.19 per cent in 2000-01 to 17.41 per cent in 2007-08, which declined to 14.67 per cent in post recession period of 2008-09.

Table 3: Commodity Composition of Indian Exports

(Rs. Crore)

Year	Total	Primary Products		Manufactured goods								Petrlm	Others
		Agr & allied prod.	Ore & min	Total	Lthr & mnf	Chm &allied prds	Eng goods	Textiles & textile prds	Gems & jewel	Handic rafts	Other mnf gds		
1994-95	82674	13269	3103	64067	5057	9630	11015	22349	14130	1213	674	1309	926
		16.05	**3.75**	**77.49**	**6.12**	**11.65**	**13.32**	**27.03**	**17.09**	**1.47**	**0.81**	**1.58**	**1.12**
1995-96	106353	20344	3930	79433	5861	12032	14688	26865	17644	1452	891	1518	1128
		19.13	**3.69**	**74.68**	**5.51**	**11.31**	**13.81**	**25.26**	**16.59**	**1.36**	**0.83**	**1.43**	**1.06**
1996-97	118817	24363	4162	87377	5701	13890	17618	30657	16872	1689	951	1710	1205
		20.50	**3.50**	**73.54**	**4.79**	**11.69**	**14.82**	**25.80**	**14.19**	**1.42**	**0.80**	**1.44**	**1.01**
1997-98	130101	24626	3943	8660	6157	16339	19832	33636	19867	1954	876	1311	560
		18.93	**3.039**	**75.83**	**4.73**	**12.56**	**15.24**	**25.85**	**15.27**	**1.50**	**0.67**	**1.011**	**1.19**
1998-99	139753	25387	3759	108506	6987	16867	18780	37301	24945	2664	963	376	1725
		18.16	**2.69**	**77. 64**	**4.99**	**12.07**	**13.44**	**26.69**	**17.85**	**1.91**	**0.68**	**0.26**	**1.23**
1999-00	159561	24301	3970	128761	891	20395	22325	42562	32509	2897	1182	169	2361
		15.23	**2.49**	**80.76**	**4.31**	**12.78**	**13.99**	**26.67**	**20.37**	**1.81**	**0.74**	**0.10**	**1.47**
2000-01	203571	27288	5267	156858	8883	26889	31150	51555	33733	3022	626	8542	5615
		13.40	**2.58**	**77.05**	**4.36**	**13.20**	**15.30**	**25.32**	**16.57**	**1.481**	**0.79**	**4.19**	**2.75**
2001-02	209018	28144	6021	159146	9110	28862	33183	48677	34845	2618	1852	10107	5600
		13.46	**2.88**	**76.13**	**4.36**	**13.80**	**15.87**	**23.28**	**16.67**	**1.25**	**0.88**	**4.83**	**2.67**
2002-03	255137	32473	9660	194765	8945	36080	43715	56221	43701	3801	2302	12469	5770
		12.73	**3.78**	**76.33**	**3.50**	**14.14**	**17.13**	**22.03**	**17.13**	**1.48**	**0.90**	**4.88**	**2.26**
2003-04	293367	34616	10885	222829	9939	43406	57005	58779	48586	2296	2818	16397	8640
		11.79	**3.71**	**75.95**	**3.39**	**14.79**	**19.43**	**20.03**	**16.56**	**0.78**	**0.96**	**5.58**	**2.94**
2004-05	375340	38078	22819	272872	10881	55911	77949	60906	61834	1696	3696	31404	10166
		10.14	**6.08**	**72.69**	**2.89**	**14.89**	**20.76**	**16.22**	**16.47**	**0.45**	**0.98**	**8.36**	**2.71**

2005-06	456418	45220 **9.91**	27288 **5.97**	321261 **70.38**	11944 **2.61**	65390 **14.33**	96157 **21.06**	72618 **15.91**	68753 **15.06**	2045 **0.45**	4355 **0.95**	51533 **11.29**	11116 **2.43**
2006-07	571779	57392 **10.03**	31686 **5.54**	384261 **67.20**	13650 **2.38**	78442 **13.71**	133790 **23.39**	78613 **13.75**	72295 **12.64**	1982 **0.34**	5489 **0.95**	84520 **14.78**	13920 **2.43**
2007-08	655864	74209 **11.31**	36717 **5.59**	414599 **63.21**	14101 **2.15**	85328 **13.01**	150435 **22.94**	78209 **11.92**	79228 **12.07**	2046 **0.31**	5252 **0.80**	114192 **17.41**	16147 **2.46**
2008-09	840755	80649 **9.59**	35877 **4.27**	566402 **67.37**	16355 **1.95**	104442 **12.42**	217482 **25.87**	92062 **10.91**	28575 **15.31**	384 **0.16**	6102 **0.73**	123398 **14.67**	34429 **4.1**

Note: 1. Figures in dark refer to percentages
2. Handicrafts excluding handmade carpets
Source: - 1. Data collected from RBI, database (Handbook of Statistics of Indian Economy, 2009-10) and averages calculated by author. 2. Data for 2008-09 are provisional and for 2007-08 are revised

The analysis of data on the basis of commodity composition of Indian exports during the post WTO-period reveals that Indian export sector has remained under pressure. Several policy reforms were introduced in the Indian Foreign Trade Policy, but it could not improve the performance of exports during the process of trade liberalization.

Direction of Indian Exports

Table 4 shows the destination of Indian exports. The foremost destination of Indian exports includes OECD, OPEC, Eastern Europe, Developing countries and others. The analysis of data on direction of Indian exports reveals that the share of OECD countries has sharply declined from 55.68 per cent in 1995-96 to 37.44 per cent in 2008-09. The share of OECD countries in Indian Exports has shown a declining trend except the years of 1997-98, 1998-99 and 2002-03 respectively. The share of Indian exports to European Union (EU) has also shown a declining trend and its share decreased from 27.38 per cent in 1995-96 to 21.32 per cent in 2008-09. Similarly, the share of Indian exports to North America and Asia & Oceania has also declined from 18.32 per cent and 8.34 per cent in 1995-96 to 12.22 per cent and 2.52 per cent in 2008-09 respectively.

However, the share of Indian exports to OPEC countries has shown an upward trend and has increased from 9.68 in 1995-96 to 21.27 per cent in 2008-09. It is a major change in the destination pattern of Indian exports during the Post-WTO period. On the other hand, the share of Eastern Europe in Indian exports has sharply declined from 4.21 per cent in 1995-96 to 1.10 per cent in 2008-09.

The share of developing countries in Indian exports as a group has increased from 28.93 percent in 1995-96 to 37.5 per cent in 2008-09. The share of Asia, Africa and Latin American countries in Indian exports has also increased from 22.98 per cent, 4.76 per cent and 1.18 per cent in 1995-96 to 28.03 per cent, 6.33 per cent and 3.13 per cent respectively in 2008-09. The increase in share of developing countries in Indian exports is a major development during the WTO phase. The study found that the destination of Indian exports has changed during the Post-WTO period. In other words, Indian exports have reached to new areas of international market, as a result of which geographic base has expanded during the period under study.

Table 4: Direction of Indian Exports

Year	Total	OECD				OPEC	Eastern Europe	Developing Countries				
		Total	EU	N. America	Asia & Oceania			Total	Asia	Africa	Latin American countries	Others
1994-95	82674	48491 **58.65**	22075 **26.70**	16602 **20.08**	7623 **9.22**	7626 **9.22**	3319 **4.01**	21883 **26.47**	17921 **21.67**	2755 **3.33**	1207 **1.46**	1355 **1.64**
1995-96	106353	59223 **55.68**	29129 **27.38**	19487 **18.32**	8870 **8.34**	10299 **9.68**	4482 **4.21**	30768 **28.93**	24444 **22.98**	5060 **4.76**	1264 **1.18**	1580 **1.49**
1996-97	118817	66035 **55.57**	30726 **25.86**	24525 **20.64**	8722 **7.34**	11462 **9.65**	3900 **3.28**	35630 **29.99**	28875 **24.30**	5046 **4.24**	1709 **1.44**	1790 **1.51**
1997-98	130101	72415 **55.66**	33986 **26.12**	26893 **20.67**	8952 **6.88**	13110 **10.08**	4770 **3.66**	38325 **29.46**	29629 **22.77**	6087 **4.68**	2609 **2.00**	1482 **1.14**
1998-99	139753	81045 **57.99**	37639 **26.93**	32279 **23.09**	8819 **6.31**	14938 **10.68**	4430 **3.17**	38795 **27.76**	28795 **20.60**	7413 **5.30**	2587 **1.85**	546 **0.39**
1999-00	159561	91461 **57.32**	40656 **25.47**	38886 **24.37**	9330 **5.84**	16882 **10.58**	5603 **3.51**	45326 **28.41**	35557 **22.28**	6737 **4.22**	3033 **1.90**	291 **0.18**

2000-01	203571	107237 **52.68**	47561 **23.36**	45509 **22.35**	10341 **5.08**	22157 **10.88**	6020 **2.96**	59447 **29.20**	45858 **22.53**	8938 **4.39**	4652 **2.28**	8709 **4.28**
2001-02	209018	103120 **49.33**	46957 **22.46**	43391 **20.75**	9494 **4.54**	24917 **11.92**	5984 **2.86**	64553 **30.88**	49278 **23.57**	10783 **5.15**	4492 **2.14**	10444 **4.99**
2002-03	255137	127679 **50.04**	55763 **21.86**	56110 **21.99**	11789 **4.62**	33318 **13.06**	6040 **2.37**	86445 **33.88**	67661 **26.52**	12465 **4.88**	6319 **2.48**	1655 **0.64**
2003-04	293367	136151 **46.40**	63827 **21.76**	56306 **19.19**	10934 **3.73**	43858 **14.95**	7147 **2.44**	104697 **35.69**	84674 **28.86**	14219 **4.84**	5805 **1.98**	1513 **0.51**
2004-05	375340	163977 **43.69**	78808 **20.99**	65746 **17.51**	13216 **3.52**	59343 **15.81**	7999 **2.13**	141971 **37.82**	112187 **29.89**	20123 **5.36**	9661 **2.57**	2051 **0.54**
2005-06	456418	202936 **44.46**	99106 **21.71**	81351 **17.82**	15250 **3.346**	7483 **14.78**	8768 **1.92**	175927 **38.55**	137165 **30.05**	25232 **5.53**	13531 **2.96**	1305 **0.28**
2006-07	571779	240080 **41.98**	121296 **21.21**	90393 **15.81**	19416 **3.39**	94812 **16.58**	7032 **1.22**	228136 **39.91**	70190 **29.76**	39274 **6.86**	18671 **3.26**	1719 **0.30**
2007-08	655864	258764 **39.45**	138860 **21.17**	88482 **13.49**	20784 **3.16**	108662 **16.57**	7395 **1.13**	278487 **42.46**	207251 **31.59**	49241 **7.51**	21995 **3.35**	2556 **0.39**
008-09	840755	314835 **37.44**	179214 **21.32**	102705 **12.22**	21241 **2.52**	178789 **21.27**	9256 **1.103**	15265 **37.52**	35729 **28.03**	53242 **6.33**	26295 **3.13**	22610 **2.69**

Note: Figures in dark refer to percentages.
Source: 1 Data collected from RBI, database and Author's Calculations
2 Data for 2008-09 are provisional and for 2007-08 are revised.

Exports and Economic Growth (Gross Domestic Product)

Exports and Imports as Percentage of GDP: The picture of Indian exports, imports and their contribution to the GDP of the country are presented in Table 5. The data shows a significant increase in the exports and imports in terms of its share in the GDP for the period 1995-96 to 2009-10.

The share of exports in GDP of the country was 8.92 per cent in 1995-96, which increased to 15.80 per cent in 2008-09, and the share of imports in GDP was 10.29 per cent in 1995-96, which increased to 25.83 per cent in 2008-09. The increasing share of export and import as a percentage of GDP shows the positive impact of liberal policies on the Indian economy. It also implies that integration of Indian economy with the rest of the world has increased during the Post-WTO period. Furthermore, both exports and imports as percentage of GDP have increased. However, the higher share of Indian GDP is going to meet the requirements of import payments. The pro export-led growth model school of thought suggests that the surplus generated from the exports contribute to the development of the developing countries, but it could not happen in case of India.

Table 5: Exports and Imports as Percentage of Gross Domestic Product (GDP)

Year	Exports (Rs. Crore)	Imports (Rs. Crore)	Trade Balance	Export (% of GDP)	Imports (% of GDP)	Exports as a percentage of Imports
1995-96	106352	122678	-16326	8.92	10.29	86.7
1996-97	118817	138920	-20103	8.62	10.08	85.5
1997-98	130101	154176	-24076	8.52	10.1	84.4
1998-99	139752	178332	-38580	7.98	10.18	78.4
1999-00	159095	215529	-56434	8.15	11.04	73.8
2000-01	201356	228307	-26951	9.58	10.86	88.2
2001-02	209018	245200	-36182	9.17	10.76	85.2
2002-03	255137	297206	-42069	10.39	12.11	85.8
2003-04	293367	359108	-65741	10.65	13.04	81.7
2004-05	375340	501065	-125725	11.92	15.91	74.9
2005-06	456418	660409	-203991	12.73	18.41	69.1
2006-07	571779	838048	-266269	13.85	20.3	68.2
2007-08	655864	1005159	-349295	13.89	21.28	65.2
2008-09	840755	1374436	-533681	15.8	25.83	61.17
2009-10	845125	1356469	-511344	-	-	62.3
Average	5358276/15	7675042/15	-2316767/			
15	=357218.4	=511669.5	15=-154451			

Source: Foreign Trade and Balance of Payments, Centre for Monitoring Indian Economy, 2010 and Author's calculations

The trend of Indian exports and imports as a percentage of GDP during the post WTO period is presented in Figure 1. It is visible from the Figure 1 that the share of exports and imports as a percentage of GDP has increased during the study period but the increase is much higher in case of imports.

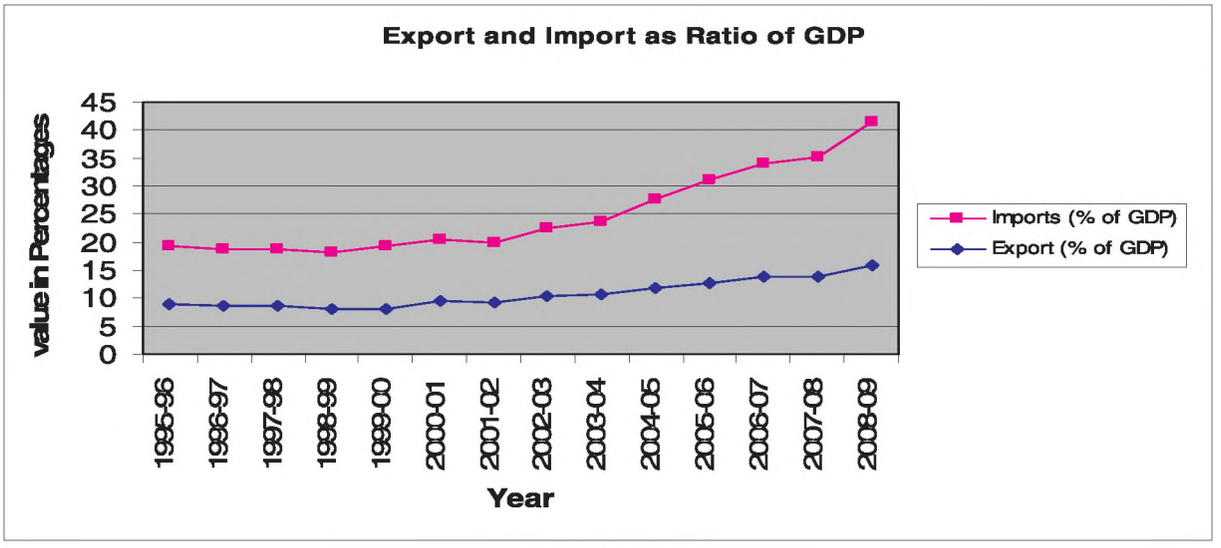

Figure 1

Exports, Imports and Balance of Trade: The picture of Indian exports, imports and balance of trade are clear from Table 5. The data reveals that the trade balance shows a negative balance of (-) Rs. 16326 in 1995-96, which further increased to (-) Rs. 511344 in 2009-10. The analysis found that both exports and imports have increased during this period. The share of exports as a percentage of imports was 86.7 per cent in 1995-96, which declined to 62.3 per cent in 2009-10. This development has taken place due to the fact that the imports have increased at a higher rate as compared to exports, which has put negative impact on the balance of trade during the study period. The trends of Indian exports, imports and trade balance during the post WTO period are presented in Figure 2

It is clear from figure 2 that although the share of both exports and imports has increased during the study period but due to higher increase in imports has further widened the trade deficits and balance of payments deficits.

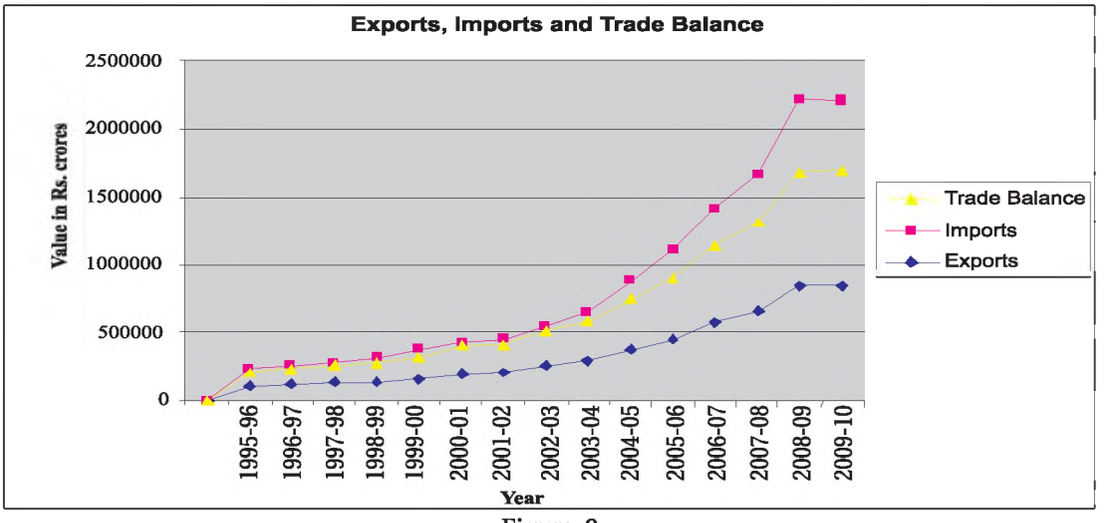

Figure 2

Export led Growth Hypothesis: Empirical Evidence: The role of exports in the developing countries has been subject to a wide range of empirical and theoretical studies. Many economists and scholars have not been agreed upon the applicability and validity of ELG hypothesis. A vast literature concerned with the export-led growth hypothesis provides mixed results.

As discussed in the previous section of research methodology, the results of unit root test is presented in Table 6, which confirms that the variables, namely, real exports, real imports and real GDP are non-stationary in levels but they are stationary at first difference. It means that all the variables are integrated of order 1 or I (1). It fulfills the initial property of co-integration test, which can be used to investigate the existence of a long run relation between the variables. This is first step in exploring the causality among the variables.

Table 6: Univariate Stationary Properties of Time Series Phillips Perron Test Results (Intercept)

Variable	Level	First difference T statistics
LnX	-0.5029 (0.8819)	-13.526 (0.000*)
LnM	-0.6544 (0.8487)	-7.491 (0.000*)
LnGDP	-0.4116 (0.8991)	-16.625 (0.000*)

*MacKinnon (1996) one-sided p-values

The critical values for the variables in levels are -2.919 and -2.597 at 5 % and 10% significance level respectively. The size of bandwidth is chosen based on the Newey-West method. In order to capture the impact of variables observed in the past time period in explaining the future performance (Bhattacharya, 2009), the optimal lag length p is required. It is determined through combination of information criterion (minimum of AIC, FPE, HQIC, SBIC), which is 4 in the present study. We have used the maximum likelihood test procedure established by Johansen and Juselius (1990) and Johansen (1991) to examine the existence of a long run equilibrium relationship between exports and economic growth (measured by GDP). According to the Trace test and Max eigenvalue test, the null hypothesis of no co-integration has been rejected on the basis of existence of 1 co-integration equation (both tests at 5 per cent significance level). The results of Johansen Co-integration test are presented in Table 7.

Table 7: Johansen Co-integration Test Statistics

Unrestricted Cointegration Rank Test				
Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.479621	35.58544	29.79707	0.0096
At most 1	0.098588	4.885138	15.49471	0.8209
At most 2	0.000147	0.006899	3.841466	0.9332
Trace test indicates 1 cointegrating eqn(s) at the 0.05 level * denotes rejection of the hypothesis at the 0.05 level **MacKinnon-Haug-Michelis (1999) p-values				
Hypothesized No. of CE(s)	Eigenvalue	Max-eigen Statistic	0.05 Critical Value	Prob.**
None *	0.479621	30.70031	21.13162	0.0017
At most 1	0.098588	4.878239	14.26460	0.7571
At most 2	0.000147	0.006899	3.841466	0.9332
Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level * denotes rejection of the hypothesis at the 0.05 level **MacKinnon-Haug-Michelis (1999) p-values				

Granger argued that standard Granger or Sims tests are likely to provide invalid causal inferences when the time series are co-integrated (Oskooee and Alse, 1993). So the error correction model introduced as an additional way through which Granger causality could be determined. The causality can be verified through the statistical significance of the t-test of the lagged error correction terms or the f-test applied to the joint significance of the sum of the lags of each explanatory variable (Elbeydi,. et al. 2010). The findings of present study suggest that there exist a significant long term bidirectional causation between the variables i.e. export causes economic growth and economic growth also causes export. The coefficient of Error correction contains the information about whether the past values of the variables affect the current values of the variables under study and, a significant coefficient implies that past equilibrium errors plays a role in determining the current outcomes (Bhattacharya, 2009). However, we found that there is a strong causality from export growth to GDP and vice-versa during the post WTO period. Further, the empirical results suggest that both the variables, exports and economic growth are related with past deviations and any increase in export growth would have a positive impact on the economic growth in the both short-run and long-run. The result of VECM reveals that export has been instrumental in accelerating economic growth in India during the post liberalization period.

Table 8: Causality Results Based on Vector Error Correction Model (VECM)

Error correction	(lnGDP$_t$)	$\triangle$ (lnX$_t$)	? (lnMt)
CointEq1	-0.064403 [-1.91194]	0.500929 [1.93371]	-0.185097 [-0.61477]
D(LNGDP(-1))	-0.239791 [-2.33962]	1.047985 [1.32959]	0.697941 [0.76186]
D(LNX(-1))	-0.069263	0.257239	0.103383

	[-1.61383]	[0.77936]	[0.26949]
D(LNM(-1))	0.013439 [0.42727]	-0.151922 [-0.62805]	-0.169798 [-0.60396]
C	0.021519 [3.17338]	-0.039334 [-0.75423]	0.012603 [0.20792]
R-squared	0.988316	0.518317	0.373711
Adj. R-squared	0.983713	0.328563	0.126991
F-statistic	214.7245	2.731523	1.514717

ONCLUSION/RECOMMENDATIONS

In the light of above discussion, the study concludes that the Indian economy has integrated with the rest of the world during the post WTO period. The study found that the share of agricultural commodities of Indian exports has declined during the post WTO period. The share of ore and minerals remained inconsistent during this period. The share of manufactured goods also declined from 74.6 per cent in 1995-96 to 67.37 per cent in 2008-09. So the analysis of Indian exports on the basis of commodity composition reveals that significant changes have taken place in the Indian exports during the post WTO period.

The analysis of direction of Indian exports reveals that the geographic base of Indian exports has also changed during the period under study. The share of Indian exports to OPEC countries and the developing countries has increased during the post WTO period. On the other hand, share of Eastern Europe has sharply declined during this period. So the study concludes that Indian exports have reached to new areas of international market.

The analysis of exports and imports as a percentage of Gross Domestic Product (GDP) shows the impact of liberal policies on the Indian economy. The study found that though the share of both exports and imports as a percentage of GDP has increased during the period under study, but the increase has been much higher in case of imports, which has further widened the trade deficit. Moreover, the higher share of Indian GDP has been eaten by the increasing liabilities on account of import payments, as it happened in Mexico after trade liberalization. The pro export-led growth model school of thought suggests that the surplus generated from the exports contribute to the development of the developing countries, but it could not happen in case of India.

On the basis of empirical evidence, the present study found that there exist a significant long-term bidirectional causation between the determinants i.e. export causes economic growth and economic growth has also influenced export growth during the post WTO period. Based on the VECM results, the evidence suggests that both the variables exports and economic growth are related with past deviations and higher export growth have a positive impact on the economic growth in both short-run and long-run. Our study reveals that the exports have positively contributed to accelerate the economic growth of India during the post liberalization period.

The study strongly recommends for the review of foreign trade policy, which could strengthened the domestic base of the Indian economy for sustainable development and could positively contribute to reduce the increasing pressure on the Balance of Trade and Balance of Payments. There is a scope for further analysis to investigate the impact of export-led economic growth model on the transfer of technology, level of competition and reduction of poverty in India during the post-WTO period.

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Appendix-I

EXIM Policy Measures 1992-97

- The new five-year Export-Import Policy (1992-97) was introduced with effect from April 1992. Several schemes were introduced to eliminate regulatory measures and discretionary
- The Liberalised Exchange Rate Management System (LERMS) was introduced on March 1, 1992.

- The import licensing system was eliminated for capital goods, intermediates and components and these items could be imported on Open General Licence (OGL) subject to payment of tariffs.
- The 15% Foreign Exchange Conservation (Travel) Tax was abolished w.e.f. June 1992.
- A new deposit scheme was introduced in June 1992 to promote the investments from Non-Resident Indians.
- The Export promotion capital goods (EPCG) scheme was introduced to boost exports.
- The other major schemes, namely, Duty Exemption Scheme (DES), Scheme for Gems and Jewellery, and policies enlarging the scope of instruments of export promotion such as export oriented units (EOU) and export processing zones (EPZ), joint ventures and different types of trading houses were introduced.

EXIM Policy Measures 1997-2002

- The peak rate of import duty was reduced to 40 per cent advalorem except for passenger luggage, alcoholic beverages, dried grapes and a few other products during 1997-98.
- The peak rates for imports of raw materials and capital goods for projects were reduced to 30 per cent and 20 per cent respectively.
- A surcharge of 10% on basic duty was introduced to control imports of consumer goods in 1998-99.
- The peak tariff rate of 35% plus a 3.5% surcharge on tariffs and a 4% special duty on items from which QRs have been removed. In addition, countervailing duties ranging from 16% to 32% are imposed on certain goods. Basic tariffs have been increased on vegetable oils from 25% to 45%, on tea, coffee, copra and coconut from 35% to 70%. Uniform rates of 75% and 85% are imposed on crude edible oils and refined oils respectively. Maximum tariffs on imports of rice are 80%.
- The total numbers of customs duty rates are 35 per cent, 25 per cent, 15 per cent and 5 per cent during 2001-02. The Special Additional Duty imposed in 1998-99 (for all products except for petroleum products) is still applicable. However, the surcharge of 10% on basic duty that was introduced in 1998-99 is now removed.

EXIM Policy Measures 2002-07

- All QRs on exports were removed.
- Duty Entitlement Pass Book scheme to be continued.
- Duty Free Credit Entitlement Certificate Scheme for service providers revamped/ recast into the served from India scheme.
- Exclusive services Export Promotion Council to be set up.
- EPCG and other schemes to continue with further improvements
- Transport assistance for export of agro products – special focus on cottage sector and handicrafts
- Major new incentives for SEZs include it concessions and permission to set up overseas banking units
- Benefits for export-oriented industrial clusters
- Incentive package for hardware sector
- Procedural simplifications to further reduce transaction costs – new commodity classification for imports and exports adopted
- Diversification of markets with new programs for Africa & CIS
- Quantum increase in assistance to states for export development and market access initiative
- New Scheme called 'Target Plus Scheme' introduced.
- EPCG Licence can also be used for import of capital goods for supply to specified notified projects.
- Import of second-hand capital goods to be permitted without any age restrictions. Minimum depreciated value for plant and machinery to be located into India reduced from Rs. 50 crores to Rs. 25 crores.
- All exporters with minimum turnover of Rs. 5 crores and good track record to be exempt from furnishing bank guarantee in any of the schemes.
- All goods and services exported, including those from Domestic Tariff Area units, to be exempt from Service tax.
- EOUs to be exempted from service tax in proportion of export of goods and services
- EOUs to be permitted to retain 100 percent of export earnings in Export Earners Foreign Currency (EEFC) accounts.

Trade Policy Measures of 2008-10

The latest trade policy measures for 2008-09 and 2009-10 include the following:

- Interest subvention of 2 per cent from December 1, 2008 to September 30, 2009 to the labour-intensive sectors of exports such as textiles (including handloom), handicrafts, carpets, leather, gems and jewellery, marine products and SMEs. This was further extended to March 2010.
- Inclusion of handicrafts items in the Vishesh Krishi and Gram Udyog Yojana (VKGUY);
- Provision of an additional Rs 1,100 crore to ensure full refund of CST/terminal excise duty/duty drawback claims on deemed exports.
- Extension of the DEPB scheme till the end of December 2010.
- Restoration of DEPB rates for all items where they were reduced in November 2008 and increase in duty drawback rates on certain items effective from September 1, 2008.
- Provision of additional fund of Rs 1,400 crore for the textile sector to clear the backlog claims of the Technology Upgradation Fund (TUF).
- Excise duty reduction across the board by 4 per cent for all products except petroleum products and those products where the current rate was less than 4 per cent.
- Extension of the adjustment assistance scheme to provide enhanced Export Credit Guarantee Corporation (ECGC) cover

at 95 per cent to badly hit sectors up to March 2010.

- Sections 10A and 10B related to sunset clauses for STPI and EOUs schemes respectively extended for the financial year 2010-11. Anomaly removed in Section 10AA related to taxation benefit of 'unit vis-à-vis assessee';
- Additional items allowed within the existing duty-free imports entitlement for some employment-oriented sectors like sports goods, leather garments, footwear and textile items.
- Measures related to service tax which include, among others, exemption from service tax on services linked to exports like the transport of goods by road and commission paid to foreign agents.
- Diversification of exports to emerging markets of Africa, Latin America, Oceania and CIS countries under the Focus Market Scheme and Market Linked Focus Product Scheme.
- Setting up a Directorate of Trade Remedy Measures to support Indian industry and exporters especially the MSMEs, in availing of their rights through trade remedy instruments under the WTO framework.
- Higher support for market and product diversification and additional resources under the MDA and MAI.
- Introduction of EPCG at zero duty for engineering and electronic products, basic chemicals, pharmaceuticals, apparels and textiles, plastics, handicrafts, chemicals and allied products and leather and leather products till March end 2011.
- Duty drawback facilities on jewellery exports to neutralize duty incidence
- Expanding the Market Linked Focus Product Scheme to bicycle parts, motor cars and motor cycles, apparels and clothing accessories, auto components etc. for exports from April 4,.2009 to September 30, 2009.
- Enhancement of the Export Obligation Period under the Advance Authorization Scheme from 24 to 36 months without payment of composition fee.
- Widening the coverage of the ECGC by making available back up guarantee to the ECGC to the extent of Rs350 crore to enable it to provide guarantees for exports to difficult markets/products.
- Abolishing basic customs duty of 5 per cent on rough / unworked corals.
- Constituting two high-level committees, one chaired by the Prime Minister and the other by the Cabinet Secretary for regular monitoring.
- A Committee under the Chairmanship of Finance Secretary constituted to resolve all problems related to non-availability of dollar credit to exporters by the concerned Banks.
- To accelerate exports and encourage technological up gradation, additional duty credit scrips for status holders @ 1 per cent of the f.o.b. value of past exports for certain specified sectors upto March end 2011.
- New incentives in January 2010 by adding new products in FPS, new products and markets under MLFPS, new products under VKGUY and new markets under FMS.