UNIT 1 SCOPE AND SIZE OF INTERNATIONAL MARKETS

Objectives

After studying this unit you should be able to

- Understand the premise for International Trade and Business.
- Explain the ways in which firms can enter international markets.
- Define the type of questions that are raised in International Marketing
- Give an overview of world trade and India's foreign trade

Structure

1.1 INTRODUCTION

A company manufacturing a product finds that the market for its product is currently saturated.

The managing director of the company calls a meeting of all the functional heads to discuss the problem. In the meeting it emerges that while the production runs cannot be shortened or cut off because of the underlying economics, the market doesn't seem to let up.

The problem before the managing director is `what should be done now?'

One of the suggestion that emerges during the meeting is to "expand the market size by crossing the national frontiers".

To this suggestion the managing director has posed certain fundamental questions:

Where should we expand? How can we do *this?* Would it be feasible to maintain the expansion even when the domestic market lets up?

Basically the managing director has raised the fundamental questions that are posed by any international marketer. We shall attempt to answer these questions in this block but before we answer these questions, let us understand the definition and reasons for international marketing and foreign trade.

Activity-1

A business executive has recently been to Europe on a holiday, and finds that is a massive demand for his product in that market. He feels that company should start exporting immediately. Give your comment on how he should handle this issue.

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1.2 DEFINITIONS

When a country crosses its national frontiers to market its product it is indulging in international marketing. As defined by Phillip Cateora and John M. Hess **"International marketing is the performance of business activities that direct the flow of a company's goods and services to consumers or users in more than one nation."**

Yes, the definition sounds very similar to that of marketing, for it is meant to be, the only difference being that marketing task is carried out in more than one nation. This fact by itself adds many complexities to the marketing task (as we shall see later on). As per the definition' given by the American Marketing Association, " Marketing is the process of planning and executing the conception, pricing, promotion and distribution of goods, services and ideas to create exchanges that satisfy individual and organisational objectives." This definition can be extended to define international marketing as " The process of planning and executing the conception, pricing, promotion and distribution of goods, services and ideas to create exchanges that satisfy individual and organisational objectives, in more than one nation". It means in international marketing, activities are undertaken in several countries and such activities should be co-ordinated across nations. Thus international marketing is the coordinated marketing process undertaken is several countries.

In the common parlance, the terms international marketing and foreign trade are used interchangeably. But actually they are different and deal with different issues. The term foreign trade is used when we want to talk about trade between nations. It has a macro perspective whereas international marketing (IM) has a managerial perspective. IM deals with issues which concern a firm and not the nation as a whole and therefore the questions raised in each area are of a different nature as we shall see later.

1.3 REASONS AND MOTIVATIONS UNDERLYING INTERNATIONAL TRADE AND INTERNATIONAL BUSINESS

There is growing contraction of the world because of better communication and transportation facilities, and the rapid development of domestic economies and concomitant increases in purchasing power of the people. The current interest in international marketing and foreign trade can be explained in terms of changing structures and dynamic changes in demand characteristics of world markets.

Both, the firm and country have reasons for entering into international business and foreign trade. While the reasons are often inter-linked, each has its own premise.

International Business

The vast domestic markets have provided the firms an opportunity for continued growth which finally reaches a point where the possibility of continued expansion levels off. The survival of these firms has come into question, for it has become increasingly difficult for these firms to sustain customary rates of growth as demanded by their shareholders.

These companies have been forced by the 'economic criterion' to locate international markets to sell their surplus production and to gain cost advantages. Besides this, foreign markets may offer high profit margins, which gives added impetus for going international. Most of tile firms world over are gearing up for action for besides these reasons the Governments of various countries are providing support and incentives to firms involved in foreign trade.

Reasons for Entering into International Markets

Although profit is the underlying motive, most of the firms are directed into International markets because of any of the following five reasons as identified by Vern Terpstra:

1. **Product Life Cycle:** &product may be at the end of its life cycle in one market and not even introduced in another. The unwillingness of the firm to write off its productive assets may force it into international markets.
2. **Competition:** In an effort to avoid competition. which may be intense in the domestic market, the firm may choose to go international.
3. **Excess Capacity:** In an effort to minimize its fixed cost per unit, tile firm may undertake foreign orders.
4. **Geographic Diversification:** This has to do with the strategy that a firm may adopt. Instead of extending its product line the firm may just choose to expand its market by going international.
5. **Increasing the Market size**: In an effort to expand its operation a firm may choose to go international.

International Trade

With the growth of materialism, every individual has become interested in improving his/her standard of living in terms of material comforts. This has forced the governments into foreign trade to yield the underlying economic benefits and thereby improving the standard of living of its people.

The gains from international trade arise from the local production advantages which in itself is a function of differences in availability and the cost of factors of production.

Thus the difference in factors like the capital availability and cost of capital, specialization of labour, their wage factor, availability of managerial talent, determine the area of product specialization that a country will enter into to gain the cost advantage. The production specialization will lead to an improvement in productivity and thereby an increase in the real income-if the countries indulge in free trade. This explains the reason for importance of balance of payment of a nation and exchange rate. We will discuss exchange rates and - balance of payment in section 1.4 of this unit.

Theories of International Trade

Historically, nations have been trading with each other for hundreds of years for profit or because they do not have enough resources (land, labour and capital) to satisfy all the needs of consumers.

For example, Japan has a highly skilled labour force that use technologically advanced equipments to produce cars and electrical equipment, however it does not have its own oil fields. Saudi Arabia has large supplies of oil, but lacks the resources to produce cars and electrical equipments.

Trade between Saudi Arabia and Japan will allow both countries to obtain goods and services that they cannot produce themselves. Specialisation and trade can then deliver higher living standards to all countries as resources are being used more efficiently.

In economics, three theories have been propounded for explaining tile reason for foreign trade. These theories are equilibrium theory. Underlying each of these theories is the theory of relative advantage.

The Theory of Relative Advantage

The theory of relative advantage deals with the trade of goods and commodities. It is based on the premise that a nation gains by trading with other nations in those goods in which it has an advantage over the other nations in terms of cost of production. This advantage in terms of cost of production could be absolute or comparative. Let us illustrate this further using the classical theory to explain these concepts:

A. Factor endowments

Each country has different types and amounts of resources that will determine what they can or cannot produce. The combination of these resources (land, labour, capital and enterprise) is referred to as a country's **factor endowment.**

Factor endowments are determined by:

- geographical features such as climatic conditions and natural resources
- historical development and political stability
- social and demographic issues
- economic development, size and quality of the workforce and access to capital
- entrepreneurial skills and the freedom to pursue entrepreneurial activities.

For example, India has a large supply of natural resources such as coal, iron ore and cheap manpower. Japan has a highly skilled workforce that uses advanced technology to produce cars and electrical equipments. China has a large population and can supply cheap labour to produce competitively priced textile, clothing and footwear products. Bolivia, however is a land locked country with few natural resources and an unstable political environment.

Because of the different factor endowments, trade would be beneficial for each of these countries. Trade allows 'countries to have access to goods and services that are not produced or cannot be produced efficiently.

B. The theory of absolute advantage

The Scottish economist Adam Smith first explained the theory of absolute advantage in 1776. He argued that a country has an **absolute advantage** in the production of a good when it can produce more of that good with a given amount of resources than another country. It would be in the interest of each of these countries to specialize in production of the commodity in which it has an absolute cost advantage and trade. This way the productivity of both nations increases and thereby both nations stand to gain.

Thus while India can produce tea more cheaply than Great Britain and Britain can produce engineering goods more cheaply than India, it would be in the interest of both countries to concentrate on the production of the goods in which they have absolute cost advantage and then to trade. Of course the cost advantage in production must be greater than the cost of transportation incurred in moving the goods.

When each country specialises in the production of the go[a]ds in which they have an absolute advantage, increase in the production of all the goods could occur. It is quite realistic to think that one country has an absolute advantage over another country in the production of some goods. Finland has done this recently by specialising in the production and distribution of mobile handsets.

C. Theory of comparative advantage

Adam Smith's theory of absolute advantage is a simple explanation of the benefits of international trade. However, if one country has an absolute advantage in the production of all goods, can there be benefits from trade?

The answer is **Yes.**

In 1817, David Ricardo, a classical economist developed the principal of comparative advantage to explain this situation. The principal is based on the relative efficiencies of production where each country has a comparative advantage in producing the commodity in which it has the **lower opportunity cost.**

Let us assume that there are two countries A and B and two products X and Y. Each of these countries has a workforce of ten men. While in country A each man can produce 6 units of X or 6 units of Y, each man in country B can produce 4 units of X or 2 units of Y.

Now assuming that men are equally deployed and no trade exists, the following scenario emerges.

Production per Working Day

Country	X	Y	Total
A	30	30	60
B	20	10	30
	50	40	90

Here we see that country A has two times the production than that of country B. The real income of A is therefore also two times that of B.

Now if the countries agree to specialize so as to maximize the total production by specializing in the products in which each has relative advantage, the following scenario emerges.

Country	X	Y	Total
A	10	50	60
B	40	00	40
.	50	50	100

Thus we see that the total production of both economies taken together increases by 10 i.e. both economies stand to gain. Various combinations of this are possible. But it has to do with gain, how this gain will be distributed depends upon the market.

But these models are based on the following assumptions:

- There must be demand for these products.
- The production gains are greater than the cost of trading.
- Products must be identical i.e. product differentiation concept does not exist.
- There must be an effective market information so that the traders are aware of the cost differentials as they exist.
- The differentials must be large enough to interest the entrepreneur.
- Tariffs must not exceed the difference in cost after transportation and profits are considered.
- No other political or financial restrictions inhibit the trading process.

As pointed out earlier this is a macro-economic theory that deals in the trade of commodities or goods. But like all macro-economic theories it fails to explain other related phenomena because of its underlying assumptions. One phenomena that it fails to explain is the existence of multinational concerns, and their desire to invest in foreign lands. Two theories have been expounded to explain why multinationals/transnationals exist. They are as follows:

1. A Modern Approach To Comparative Advantage

2. The Product Life Cycle Approach

1. A Modern Approach To Comparative Advantage

Michael Porter in his work - *The Competitive Advantage* of *Nations* (London, Macmillan 1990), suggests that instead of different factor endowments being the basis for international trade much of the world's trade is taking place between nations **with similar factor endowments**

Factor endowments and competitive advantages are important in countries that have industries based on natural resources and where production does not rely on high levels of technology or where the labour force is relatively unskilled.

Porter suggests that it is **competitive advantage** (based on lower costs, technological innovation and product differentiation) rather than comparative advantage that is becoming an important factor in determining the pattern and direction of international trade.

Transnational corporations are playing a very important role in this development because they are able to coordinate their production activities by moving resources, production components, investment funds, technology and labour across the world.

2. Product/International Product Life Cycle Approach

The product life cycle concept in marketing theory is a micro level explanation of stages of the life cycle a Product or service goes through in the context of its market life. Sales volume and profits become the critical micro variables in the product life cycle framework. In the introductory stage of a product's life, sales are typically slow and profits negative. In the growth stage, both sales and profits rise at a rapid rate. During maturity, sales volume may continue to rise at a declining rate and profit may stay high. In the decline state, both sales and profit decrease. Sales and profits are the principal variables for marketing decisions. The product life cycle is essentially a tool for firms to design marketing mix strategies for different stages of the life span of a product or service.

The International Product life cycle can be defined as market life span stages the product goes through in international markets sequentially, simultaneously or asynchronously. The sequential stages are introduction, growth, maturity, decline and extinction in the international markets. When a product is positioned in different international markets at the same time and is going through similar life cycle stages, the cycle process is simultaneous. The life cycle stages are asynchronous when the product is in different stages in different international markets at the same time. The life cycle stage in which a product can be positioned is influenced by macro variables indigenous to country Markets.

Thus while personal computers are in their maturity in the USA, they are in their growth in India. By moving the same product from the American market to the Indian market the companies can obtain large returns. As long as the demand can be created or utilized this approach is feasible. You will study more details about International Product Life Cycle in Unit 9 (Block 4).

Activity-2

Briefly explain why *a* firm goes in for international business. Also explain the reason for any firm to make investment in a foreign land.

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Explain the economic and non-economic reasons underlying foreign trade.

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1.4 EXCHANGE RATE AND BALANCE OF PAYMENTS

Exchange Rate

A businessman operating in the international environment is faced with a two price system i.e., the price of the product and the price of the currency.

With the collapse of the Bretton Woods system of fixed but infrequently adjusted exchange rates in the early seventies, the generalized floating exchange rate concept has come into existence. With the advent of the generalised floating exchange rates in the second quarter of 1973, most countries are exposed to enhanced exchange rate risks because of frequent adjustment in nominal and real exchange rate.

This phenomena of generalized floating exchange rate has great implications for developing countries, owing to their dependence on developed countries for trade. Therefore any adjustment in the exchange rate of developed countries would mean implications on trade and balance of payments and thereby an influence on the price levels existing in the developing country's economy.

Exhibit-1.1

Exchange Rate of Indian Rupee against major currencies

as on Wednesday, November 13, 2002

All quotations are per unit of Foreign Currency (Japanese Yen in 100 Units)

Foreign Currency	Buying			Selling	
Currency	TT	Bills	Cheqs	Bills	TT
EURO	48.33	48.34	48.28	49.09	49.00
GBP	75.78	75.81	75.70	76.78	76.64
USD	48.12	48.14	48.06	48.54	48.45
CAD	30.86	30.87	30.82	31.29	31.22
SWISS FRANC	33.05	33.06	33.01	33.52	33.45
HKD	6.15	6.15	6.14	6.25	6.24
YEN	39.61	39.63	39.56	40.21	40.13
SGD	27.27	27.27	27.23	27.63	27.57
DKK	6.48	6.48	6.47	6.59	6.58

Source: The Economic Times, 12-11-2002

There are a variety of variations existing in the generalized format. A country could peg its currency to the currency of any one country or to the currency of several countries. Alternatively it could follow a free floating or managed floating system.

After a brief trial of single currency peg, in 1975 India opted for a multi-currency peg to a weighted basket of currencies. This, basket contained currencies of major trading partners of India.

In August 1994 the rupee became convertible on the current account, subject to the Reserve Bank of India's ` indicative limits' on outward remittances. Partial capital account convertibility also exists, in the sense that foreign and non-resident Indian investors in India can repatriate their capital.

Until 1992 the exchange rate of the rupee was fixed by the government on a trade-weighted basis and foreign exchange was severely rationed. Continuing a series of trade-weighted devaluations, the rupee was devalued by a total of 22 percent against the dollar in two steps in July 1993. The dual exchange rate system; the Liberalized Exchange Rate Management System (LERMS) was replaced by a single, floating exchange rate with effect from March 1993.

Balance of Payments

The advent of generalized floating exchange rates has made it necessary for all countries to manage this. It has become necessary for all countries to maintain an account of all its financial transactions. This account is known as the Balance of Payment. It is similar to the double entry system of accounting and accounts for all inflows and outflows occurring from a country. Like all double entry accounts, even the balance of payment must balance i.e., inflows = outflows. The fact that balance of payment account balances does not mean that a nation is in a good or poor financial condition. It is in fact a record of conditions affecting the country and not a determinant of conditions affecting the country

Thus, the Balance of Payment (BOP) is the measure of all economic transactions between one nation and others. The balance of payments is made up of the current account, showing trade in goods and services; and the capital account, which shows financial transactions. The balance of payments account helps marketers select the location of supply for foreign markets and the selection of markets. The capital account may show the nations which have control restrictions and hence be difficult to deal with. In this regard, African nations are generally disadvantaged. Exhibit 1.2 gives details of India's trade balance trends while Exhibit 1.3 gives overall balance of payment for year 2001-2002.

Exhibit 1.2 : India's Trade Balance

(All figures in US $ million)

Year	Exports	Imports	Trade Balance
1950-51	1268	1273	-4
1960-61	1346	2353	-1007
1970-71	2031	2162	-131
1980-81	8486	15869	-7383
1990-91	18143	24075	-5932
1996-97 e	33470	39133	-5663
2000-01	44560	50536	-5976

Source: DGCIS

Exhibit 1.3

Overall Balance of Payment by Credit and Debit Component in Rs. (2001-02)			
			(Rs. in Crore)
Items	2001-02		
	Credit	Debit	Net
A. Current Account			
I. Merchandise	214351	274778	-60427
II. Invisibles (a+b+c)	169841	102695	67146
a) Services	96739	76598	20141
i) Travel	13880	10869	3011
ii) Transportation	9410	11346	-1936
iii) Insurance	1279	1208	71
iv) G.n.i.e.	2235	1293	942
v) Miscellaneous	69935	51882	18053

b) Transfers	59987	319	59668
i) Official	1851	4	1847
ii) Private	58136	315	57821
c) Income	13115	25778	-12663
i) Investment Income	12711	25724	-13013
ii) Compensation to Emp.	404	54	350
Total Current Account (I+II)	384192	377473	6719
B. Capital Account			
1. Foreign Investment (a+b)	58381	33135	25246
a) In India	57909	29634	28275
i) Direct	18678	20	18658
ii) Portfolio	39231	29614	9617
b) Abroad	472	3501	-3029
2. Loans (a+b+c)	57065	61296	-4231
a) External Assistance	16073	10655	5418
i) By India	0	412	-412
ii) To India	16073	10243	5830
b) Commercial Borrowings (MT & LT)	14959	20372	-5413
i) By India	19	0	19
ii) To India	14940	20372	-5432
c) Short Term to India	26033	30269	-4236
3. Banking Capital (a+b)	76631	54748	21883
a) Commercial Banks	74351	53423	20928
i) Assets	17247	11262	5985
ii) Liabilities	2641	825	1816
iii) Non-Resident Deposits	54463	41336	13127
b) Others	2280	1325	955
4. Rupee Debt Service	0	2458	-2458
5. Other Capital	21667	16383	5284
Total Capital Account (1 to 5)	213744	168020	45724
C. Errors & Omissions	4149	0	4149
D. Overall Balance (Total Capital Account, Current Account and Errors & Omissions (A+B+C))	602085	545493	56592
E. Monetary Movements (i+ii)	0	56592	-56592
i) I.M.F.	0	0	0
ii) Foreign Exchange Reserves (Increase - / Decrease +)	0	56592	-56592

Source: Reserve Bank of India

B0P also acts as a reflector of the standard of living of the people of that country (standard of living is measured by the demand and the capacity to produce). Of particular interest to any businessman operating in the international market is the country's current account. The current account reflects the financial transactions accruing on account of trade in goods and services.

Activity-3

1. Examine the exchange rate figures given in daily newspapers and explain the terms T.T. buying and selling rates.

2. Is there a difference in the two rates? Explain.

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1.5 BASIC MODES OF ENTRY

Once the firm has taken the decision to enter into the field of international business it must analyse the basic strategies/methods of entry.

There are basically live different strategies available for entry into a foreign market. They are exporting, licensing, joint venture, manufacturing and management contracts.

Exporting

This is most commonly used methods for entering foreign markets. Commonly used in India, this method involves production of goods and services in the home country followed by distribution into foreign market. This method is commonly adopted by countries entering into the foreign market for- the first time since it minimizes the financial risks involved.

Licensing

When the company wants to protect its patent and trade mark rights, it simply licenses the production of its product in the foreign market to another company in return for a fixed royalty. This is done when either the market has developed very fast or when export barriers have been erected.

Joint Venture

When a company does not possess the capacity to analyse and handle a particular market, it enters into a joint venture. The primary reason for sharing the control of the market is to protect itself against political and economic risks. Joint ventures are increasingly seen in the world market because of this very reason. The other reasons for its existence and growth are

a) When the company does not possess competent personnel to handle foreign market or when it is short of capital

b) When a company feels that it would be to their Mutual advantage to enter in joint venture because of specific resources possessed by the other partner (e.g. distribution network, knowledge of culture).

c) Where wholly owned activities are not permitted by the foreign governments.

Manufacturing

When the company moves along its life cycle (with reference to international business) it develops an international orientation. This motivates it to invest in foreign market and develop its own manufacturing and marketing systems within that market.

The primary reason for this is to reduce the additional costs involved in foreign marketing.

It has to pay no duties on products produced within a foreign country. The transportation cost is also minimized. It can take advantage of low cost labour and thereby minimize its production costs. In an effort to become competitive in the world markets increasing number of firms are undertaking this mode of entry. Nestle India and Hindustan Lever are illustrations of this mode of entry.

Management Contracts

A country may not posses the required managerial or technical talent and therefore may not be in a position to exploit its imported assets procured in aid or assets maintained by an expropriated company.

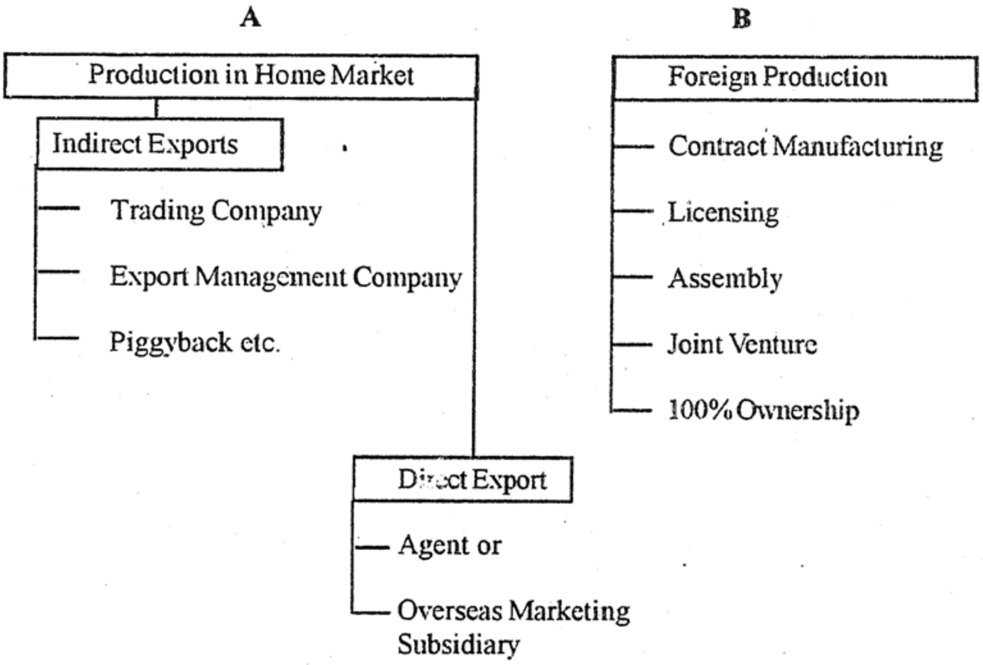
In such a situation a company may sign a management contract with such a country's government / company to manage the assets till such time that it has available to it the resources necessary for managing the assets. e.g. foreign companies managing refineries/ petrochemical plants in the Middle East.

This is not a common phenomena in international business but for some technologically oriented firm it does represents an entry mode.

Vern Terpstra has given a proposition on basic modes of entry in light of production i.e., where does the production taken place. His proposition may be understood from the Exhibit 1.4.

Exhibit 1.4

Alternative Foreign Market Entry Modes



Source : International Marketing by VernTerpstra

All these are methods for entering foreign markets. But before this it is necessary to understand the nature of marketing task involved.

1.6 NATURE OF INTERNATIONAL MARKETING

The task of marketing manager is to mold the endogenous and exogenous factors in the light of opportunities and threats facing the company.

These endogenous and exogenous factors might again be controllable or uncontrollable. Therefore the manager is basically framing his controllables in the light of uncontrollables.

The controllables for a marketing manager include the four P's of marketing and resources within the company. Whereas, the uncontrollables can again be classified into domestic uncontrollables and foreign uncontrollables.

Which Markets First?

Many businesses expect to expand internationally by targeting countries. But one country may comprise several markets. Which markets within that country do you target first?

Which country first?

For a start, that's the wrong question. As you already know, Indian and American aren't languages, but rather names for the denizens of India and America. Therein lies the problem.

Reality Check

Few international marketers recognize that it takes more than a border to make a market. From an International Marketing perspective, the political entity must combine with language and culture to create a distinct market.

Considerations:

- Japan is a homogeneous market where everyone speaks Japanese. Total: One market.
- Canada is a multicultural country where English and French are the official languages, thus comprising two distinct markets. Total Provincial variation aside, these two linguistic markets, plus a growing population of Mandarin speakers in Vancouver and Toronto, mean that Canada actually comprises three markets.
- Switzerland has three major linguistic populations-French, German, and Italian-and a splinter group of Romanic speakers. Total: Three or four markets, depending on the commercial reach of Romanic.

Bottom Line: Considering the linguistic and cultural variations within a single country, the question becomes "Which market first?" instead of"Which country first?" In some cases, it may make sense to target only one of the markets within a country, national laws permitting.

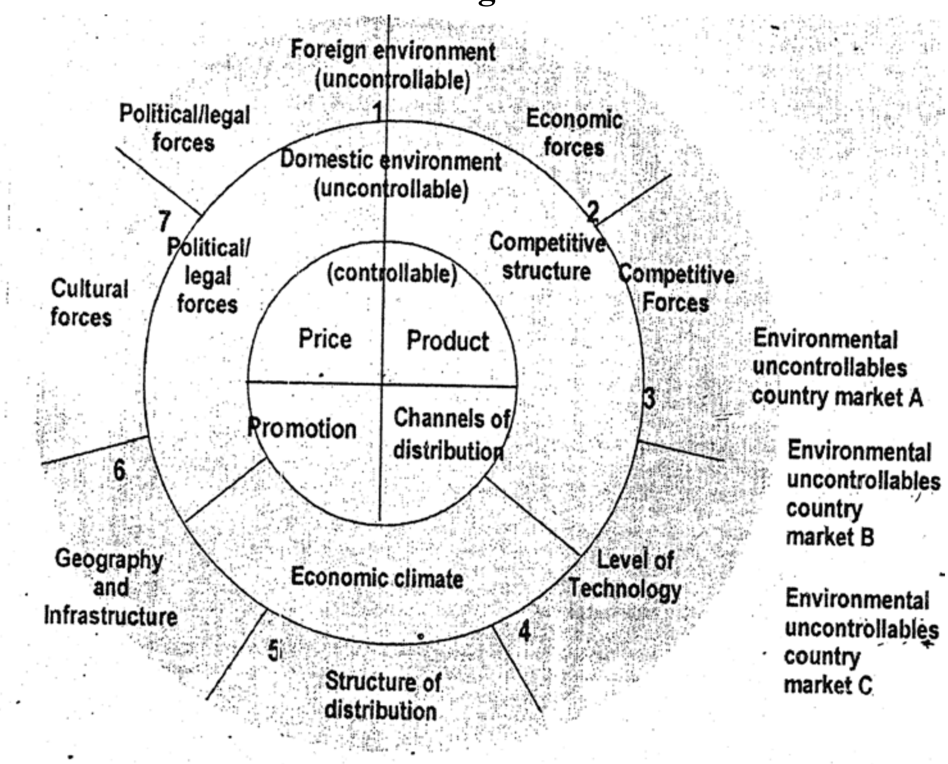
While in national marketing the manager is involved in co-ordinating the domestic controllables and uncontrollable, in international marketing a new set of uncontrollable variables enter into the fray. They include the economic, political, cultural, legal and other environmental conditions prevalent in the foreign country.

These new variables complicate the task of international marketing and magnify the risks involved. For an international businessman, this means that he has to be alert to the changes taking place in both his home country and in the country he has business interests in.

Philip Cateora and L. Graham have shown the interplay of these controllables and uncontrollables with the help of an Exhibit which has been presented below as Exhibit 1.5:

Exhibit 1.5

The International Marketing Task



Source : Phillip R. Cateora and L Graham

1.7 WORLD TRADE:AN OVERVIEW

International Markets

World merchandise exports have grown by more than hundred times in just over last five decades. From U.S. $ 58 billion in 1948 it increased to $ 5984 billion in 2001. This has largely been dominated by North America (mainly U.S.A) and Western Europe, with their combined share being 58.8% in 1948 and 58.1% in 2001. India's share in the total global exports has, however, shrinked from 2.2% in 1948 to 0.7% in 2001. This is despite the fact that Asia's share in world exports has increased from 13.6% to 25% during the same period. Exhibit 1.6 gives details of world merchandise exports by region and selected economics.

Exhibit 1.6

World merchandise exports by region and selected economy

(Billion dollars and percentage)

	1948	1953	1963	1973	1983	1993	2001
				Value			
World	58.0	84.0	157.0	579.0	1835.0	3671.0	5984.0
				Share			
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0
North America	27.3	24.2	19.3	16.9	15.4	16.6	16.6
Latin America	12.3	10.5	7.0	4.7	5.8	4.4	5.8
Mexico	1.0	0.7	0.6	0.4	1.4	1.4	2.6
Brazil	2.0	1.8	0.9	1.1	1.2	1.1	1.0
Argentina	2.8	1.3	0.9	0.6	0.4	0.4	0.4
Western Europe	31.5	34.9	41.4	45.4	38.9	44.0	41.5
C./E. Europe/Baltic States/CIS	6.0	8.1	11.0	9.1	9.5	2.9	4.8
Africa	7.3	6.5	5.7	4.8	4.4	2.5	2.4
South Africa	2.0	1.7	1.5	1.0	1.0	0.7	0.5
Middle East	2.0	2.7	3.2	4.1	6.8	3.4	4.0
Asia	13.6	13.1	12.4	14.9	19.1	26.1	25.0
Japan	0.4	1.5	3.5	6.4	8.0	9.9	6.7
China	0.9	1.2	1.3	1.0	1.2	2.5	4.4
India	2.2	1.3	1.0	0.5	0.5	0.6	0.7
Australia and New Zealand	3.7	3.2	2.4	2.1	1.4	1.5	1.3

Source : WTO

Among the leading traders in Asia, China expanded its merchandise trade at nearly twice the rate of Asia as a group in the 1990's, while Japan's trade growth lagged behind. Despite the openness of India's external sector, India's share in world exports is lower than many Asian countries. As mentioned earlier, India's share of world exports is approx. 0.7% whereas many countries in Asia have a share of 1% and above like China, Singapore, Malaysia;, Thailand, Indonesia. Thus, despite liberalization of the economy and economic reforms which have helped India to reach a higher trajectory of export growth rate, still lot has to be done to compete with Asian tigers.

An analysis of the world trade basket reveals that shares of groups like Agricultural Products and Iron and Steel have witnessed steady declines during the 1990's while Office & Telephone equipments trade recorded large gains in world trade. Exhibit 1.7 gives details of world merchandise exports by products in 2001 and their relative shares in 1990&2001.

Exhibit 1.7: World merchandise exports by product, 2001

(Billion dollars and percentage)

	Value	Share	
	2001	1990	2001
All products a	5984	100.0	100.0
Agricultural products	547	122	9.
Food	437	93	7.3
Raw materials	110	2.9	1.8
Mining products	790	14.4	132
Ores and other minerals	63	1.6	1.1
Fuels	616	10.7	103
Non-ferrous metals	111	2.1	1.9
Manufactures	4477	70.4	74.8
Iron and steel	130	3.1	22
Chemicals	595	8.7	9.9
Other semi-manufactures	432	7.8	72
Machinery and transport equipment	2453	35.7	41.0
Automoi ive products	565	9.4	9.4
Office and telecom equipment	828	8.8	13.8
Other machinery and transport equipment	1061	17.5	17.7 \
Textiles	147	3.1	2.5
Clothing	195	32	33
Other consumer goods	525	8.8	8.8

a Includes unspecified products. They accounted for 3 per cent of world merchandise exports in 2001.

Source : WTO

Services are also becoming increasingly important in world trade with world export of commercial services being U.S. 1,458 billion in 2001. India ranked 30"° in the exporting nations in merchandise trade in 2001 while it ranked 19th worldwide in export of commercial services. U.S.A was the leading country in the both the categories. Exhibit 1.8 gives the leading exporters of merchandise and services for year 2001.

Exhibit 1.8: Leading Exporters-Merchandise and Commercial Services 2001

Rank	Merchandise Exports 2001	Commercial Services Exports 2001
1	U.S.A	U.S.A
2	Germany	U.K.
3	Japan	France
4	France	Germany
5	U.K.	Japan
6	China	Spain
7	Canada	Italy
8	Italy	Netherlands
9	Netherlands	Belgium
10	I longkong, China	Hongkong-China
11	Belgium	Canada
12	Mexico	China
13	Korea, Rep of	Austria
14	Taipei	Korea, Rep. of
15	Singapore	Denmark

Source : WTO

1.8 INDIA'S FOREIGN TRADE

Since independence India has adopted a socialistic pattern for her society and aimed at achieving the self-sufficiency objectives. All her economic policies were geared to accomplish these objectives.

Earlier India was recognized as a major agricultural producer. But because of the interplay of the objective of self-sufficiency the government decided to promote industrial development. The major reason for the rise in imports until the Third Five Year Plan was the pursuance of these objectives and the wars that India fought in 1962 and 1965. Thus while her imports grew in value the exports could not keep pace. The exports were mainly agricultural produce with little or no value added activity being performed on them. The industrial India had not even started producing adequately for domestic demand therefore the question of non-traditional goods being in India's basket for export was non-existent. Besides this the fact that industrial world had developed synthetic substitutes for major Indian produce like jute and the stagnant agricultural production were responsible for the poor performance. Protectionism was being practiced and drop in the export brought about negative balance of payments in her earlier years.

Continuing the Fourth Plan's targeted programmes, the Fifth Plan (1974-79) corrected its course by initiating a programme emphasising growth and distribution. To accelerate the process of production and to align it with contemporary realities, a mild version of economic liberalization was started in the mid-1980's. Three important committees were set up in the early 1980's: (1) Narasimham Committee on the shift from physical to fiscal controls (2) Sen Gupta Committee on the public sector and the (3) Hussain Committee on trade policy. The Committees recommended a shift from physical controls to fiscal controls, promotion of greater public sector autonomy and more freedom to business and financial institutions. The result of such thinking was to reorient our economic policies. As a result, there was some progress in the process of deregulation during the 1980's. Two kinds of delicensing activity took place. First, 32 groups of industries were delicensed without any investment limit. Second, in 1988, all industries were exempted from licensing except for a specific negative list of 26 industries. Entry into the industrial sector was made easier but exit still remained closed and sealed.

The Eighth Five Year Plan (1992-97), was launched against the backdrop of a balance of payments crisis, leading to the debt trap experienced in 1991. The crisis led to a second rethinking about our economic strategies and far reaching changes were effected. India launched a major programme of economic liberalization (stabilization and structural adjustment) in July 1991, under the stewardship of Dr. Manmohan Singh, the Finance Minister in Narasimha Rao's Government. Trade and exchange controls were further liberalized and structural adjustments were carried out in the industrial sector through delicensing and accompanying measures. The reforms, as they emerged, gave primacy to employment-related growth as a means of providing credible solutions to the problem of mass poverty, an expanded role to the private sector, both domestic and foreign, import liberalization, disinvestment in public enterprises, increased public investment in agriculture, physical infrastructure and social sector. These reforms also led to reduction in fiscal deficits, control of inflation, and reform of the tax system to encourage efficiency and productivity through constant technological upgrading and determined improvements in capital output ration.

The Ninth Five Year Plan (1997-2002), without minimising the value of industrialisation, gave priority to agriculture and rural development, provision of basic minimum services, creation of productive employment, empowerment of women and other weaker sections, promotion of Panchayati Raj Institutions etc. The long term growth rate of Gross Domestic Product (GDP) during the period 1950-51 to 1994-95 was around 3.8% per annum while population increased at the rate of 2%.

In the first phase (1990-91 to 2000-01) of economic reforms (lifting of quantitative restrictions on imports and exports), country's foreign trade as percentage of GDP increased to 21.8 percent in 2000-01 from 13.32 percent in 1990-91. In eight years (1992-93 to 2000-01) India's share in total global exports increased by 0.26 percent — from

0.41 percent in fiscal 1992-93 to 0.67 percent in 2000-01. India's exports are moving away from Resource based products to Technology based products in the post-liberalisation period, so says India's Midterm Export Policy (2002-07) unveiled on March 31, 2002 and based on this strategic policy shift, India aims to have at least 1 percent share in total global exports. This means the country has to achieve a compound annual growth rate in exports of 11.9 percent in US$ terms. In absolute terms this means increase in exports of about US$ 36 billion — from US$ 44.56 bn to US$ 80.48 bn. Through 1990s while world trade value has increased 1.9 times, India's exports in US$ terms were up 2.5 times. Foreign trade in India is growing steadily assuming a significant role in country's gross domestic product (GDP).

Composition of India's foreign trade:

A compositional change has been witnessed in the export basket of India with the opening up of the economy. During the last 10 years there has been a significant shift in the composition of the export basket . The share of Manufactured goods in total export of India has increased from 76% in 1991-92 to 83% in 2000-2001. Chemicals & related products, Engineering goods, Electronic goods, Gems & jewellery, Marine products and Textiles have witnessed steady export growth, barring some inter year variations, during the period. The growth rates of Agricultural & allied products and Leather & manufactures have lagged behind during the last 10 years. The export growth rates of items within the manufactured goods groups have shown an increasing trend throughout the decade and include items like Gems & Jewellery, Manufactures of Metals, Drugs, Pharmaceuticals & Chemicals and Textiles. Another important sector is that of Petroleum products export in which the share has risen from a level of 2.58% to 4.10%.

The Exhibit 1.9 gives the composition of India's Exports.

Exhibit 1.9 : Principal Exports of India

(US $ Million)

COMMODITIES	APRIL-MARCH 2000-2001	APRIL-MARCH 2001-2002
I. PLANTATIONS	650.90	586.89
II. AGRI&ALLIED PRDTS	3880.15	4044.80
III. MARINE PRODUCTS	1393.76	1213.99
IV. ORES & MINERALS	1152.99	1210.33
V. LEATHER & MFRS.	1944.44	1905.55
VI. GEMS & JEWELLERY	7384.01	7305.71
VII. SPORTS GOODS	64.62	68.15
VIII. CHEMICALS & RELATED PRODUCTS	6177.08	6298.86
IX. ENGINEERING GOODS	5673.08	5677.50
X. ELECTRONIC GOODS	1119.94	1178.97
XI. PROJECT GOODS	25.59	18.18
XII. TEXTILES	10693.60	9617.20
XIII. HANDICRAFTS	661.51	547.91
XIV. CARPETS	581.68	503.37
XV. COTTON RAW incl. waste	48.39	9.17
XVI. PETROLEUM PRODUCTS	1892.43	2125.44
XVII. UNCLASSIFIED EXPORTS	731.38	1249.15
GRAND TOTAL	**44075.54**	**43559.93**

Source: Ministry of Commerce Website

Direction of India's Foreign Trade

America (USA and Canada), Japan and EU are India's three major trade destinations. Besides, India is giving special emphasis on Latin American and African countries. These two hitherto neglected regions offer vast scope for Indian exports. It is to be noted in last one decade while Indian exports to Asia & Oceania; America and Africa have gone up, exports to East European countries nosedived to a negligible 2.95 percent in 2000 from 17.87 percent in 1992. During the ten-year period (1990-91 to 2000-01), India's exports to Asia & Oceania were up by 7.5 percent to 37.5 percent; to America by 9 percent to 25 percent including USA's 22.4 percent (against 15.6 percent in 1990-91) and to Africa by 2.7 percent to 5.3 percent. Exports to West Europe dipped 8 percent to 25.35 percent in 2000-01.

India's exports as a percentage of imports has gradually increased from 75.36 percent in 1990-91 to 88.17 percent in 2000-01. Five major product groups led by petroleum crude and products account for 66 percent of country's total imports. Other product groups include pearls, machinery, gold and silver, electronic goods and organic & inorganic chemicals. In six years (1994-95 to 2000-01) share of petroleum and other petroproducts in India's total imports increased by 10.84 percent; pearls by 3.97 percent, and electronic goods by 6.43 percent. share of gold and silver in country's total imports during this period dropped by 6.79 percent at 8.24 percent and organic & inorganic chemicals by 2.55 percent at 4.91 percent.

It is significant to note in this six-year period India's export growth was always higher than the world average. Even when the growth was negative (1998), India's average was higher than the world average. According to World Trade Organisation's statistics, India's export growth in 2000 was 16.46 percent against world export growth of 12.4 percent.

As it happened in all other countries, global downturn impacted India's foreign trade in 2001. Indian federal government identified four major causes behind country's slow growth in international trade. These are : the downturn in the economy has been formally declared as a recession; Japan is likely to experience its fourth economic recession of the last decade; in Euro areas, economic activities have considerably dampened; and signs of revival absent in G-8 nations.

During 2000 - 2001, USA accounted for 22.70% of India's exports and 7.69% of India's imports. The share of non-traditional items such as gems and jewellery, readymade. garments have been increasing in our exports to USA while her non-oil import comprised mostly of electronic goods and machinery.

European Union is India's largest trading block and accounted for about 22% of her global trade. The main items of export to Europe during 2000-2001 comprised of gems and jewellery, textiles including yarn, fabrics, made-ups, readymade garments, etc., drugs and pharmaceuticals, leather garments/goods/footwear, finished leather, machinery and instruments, manufactures of metals, handicrafts, transport equipments, coffee, dyes/ intermediates, organic/inorganic/agro-chemicals, carpets, marine products, plastics and linoleum products, cashew, tea, electronic goods, etc. Major imports from India by this region were pearls, precious/semi-precious stones, gold, machinery, transport equipment and other capital goods.

India's total trade turnover with SAARC member countries increased by 37.4%. While India's exports to these countries registered an increase of 43.8%, imports from these countries increased by 15.39%.

India's trade with South East Asia region comprising ASEAN countries showed a decline of about 5% during year 2000-2001. India's export to ASEAN countries witnessed a marginal growth while India's imports from countries such as Fiji, Brunei, Cambodia, Myanmar, Philippines and Vietnam also registered a growth. The principal commmodities for export to this region included oil meals, gems and jewellery, electronic goods, cotton yam, fabrics, made-ups etc., machinery and instruments, primary and semi-finished iron & steel, drugs & pharmaceuticals, meat & meat products, marine products, manufacture of metals, dyes/intermediates and coal tar chemicals. The major commodities of import from this region included coal/coke/briquettes, vegetable oils (edible), electronic goods, organic chemicals, machinery except electrical machinery, wood and wood products, non-ferrous metals, metalifers ores and metal scrap, raw wool, pulses, wheat, electrical machinery.

The group of erstwhile `Rupee Payment Area' (RPA) countries had earlier occupied an important place in India's foreign trade. However, with the disintegration of the COMECON countries there was a significant decline in India's trade with these countries. Government has taken a number of steps to boost the level of trade with the erstwhile RPA countries which include signing of new trade agreements providing for trading in freely convertible currencies, counter trade arrangements, exchange of official and business delegations, participation in mutual trade fairs, exchange of economic and commercial information, opening of new diplomatic missions and trade representations, conclusion of agreements for infrastructure development, encouragement for establishment of joint ventures, etc.

Considering the potential that the Latin American and the Caribbean Region offers and India's insignificant presence in this Region, an activity based integrated programme called "Focus : LAC" was launched in November 1997. The programme was extended upto March, 2003 in order to consolidate the gains of previous years. The progress made under this programme is reflected in an impressive growth of 50.47% of India's exports to this region.

India's trade with countries of West Asia and North Africa (WANA) is conducted in free foreign exchange. Mutual Most Favoured Nation (MFN) treatment is accorded in respect of trade with most of these countries. During 2000-2001, India's exports to this region showed an increase of 22.93%.

In order to periodically review the bilateral, commercial and economic relations, India has institutional arrangements with most of the countries/regions of the world in the shape of Joint Commission/Committees.

Prospects of India's foreign trade:

In the past, the Indian export strategies had basically concentrated on existing products and existing markets. What is additionally necessary, and what has been addressed in the present strategy document of Indian government, is identification of export opportunities after examining the import basket of major importing economies of the world and identifying potential items of exports in which India is competitive vis-à-vis some of the major exporting countries of these products at present. The existing products and markets have also been analysed. Focus markets have further been identified based on different criteria. Another additionality in the current document is that some of the key strategic policy issues that have a bearing on India's competitive advantage in opportunity areas have been brought in one place so that policy measures that are necessary to enhance the competitive edge of our exporting community gets appropriate focus. Sector-wise strategies have also been examined.

Product wise, Government of India has categorised her products in four broad segments:

STEADY GROWTH ITEMS

Marine products , spices, cashew, basmati rice, pulses, seasame and niger seeds, meat preparations, sugar and molasses, electronic goods, machinery and instruments, dyes intermediates and coal tar, chemicals and transport equipment.

HIGH GROWTH, HIGH VALUE ITEMS

Gems and jewellery, manufactures of metals, drugs, pharmaceuticals, chemicals and textiles.

NEW HIGH GROWTH ITEMS

Non-Basmati rice, castor oil, processed fruits and juices, floriculture products, meat and meat preparations.

FAST GROWING, LOWER VALUE ITEMS

Inorganic chemicals and agro chemicals; handicrafts including handmade carpets.

Among agro commodities, tea used to figure as a significant item in India's export basket. But mainly from early 90s in the face of the international market being flooded with highly price competitive and cheaper quality teas,-India has been losing its ground in the international market and today ranks only after Sri Lanka and China. The quality aspect apart, Sri Lankan teas are highly price competitive vis-à-vis India. After tea, yet another product that is registering lower export growth is leather and leather goods.

Exhibit 1.10 gives details of world markets in terms of size, growth rate and India Exports

Exhibit 1.10

Top 20 Markets Based on their Total Import Value in 2000	Top 20 Markets Based on 5 yrs CAGR of Total Imports with a Minimum of $ 20bn Imports	Top 20 Markets Based on GDP Value in 1999	Top 20 Markets Based on 9 yrs CAGR of GEP but above $ 100 Billion	Top 20 Markets Based on India's Market-wise Exports in 2000-01	Top 20 Markets Based on 5 yrs CAGR of Exprots from India but above $ 100 mn. Exports	Major Trade Deficit Markets with India above Rs. 100 crores in 2000-01
USA	Mexico	EU	China	EU	Israel	China
EU	Hungary	USA	Poland	USA	Nigeria	South Africa
Japan	China	Japan	Venezuela	Hong Kong	Egypt	Argentina
Canada	Poland	China	Hong Kong	UAE	Mexico	Australia
China	USA	Brazil	Argentina	Japan	Chile	Indonesia
Hong Kong	UAE	Canada	Mexico	Bangladesh	Korea DP Rep.	Korea Rep
Mexico	Turkey	Mexico	Brazil	Russia	Canada	Malaysia
Korea. Rep	Canada	Korea	Korea	Singapore	Saudi Arabia	Morrocco
Taipei, Chinese	Taipei, Chinese	Australia	USA	China	UAE	Singapore
Singapore	EU	Russia	Greece	Saudi Arabia	Switzerland	Switzerland
Switzerland	Israel	Argentina	Japan	Canada	Vietnam	
Malaysia	Czech Rep	Switzerland	Thailand	Sri Lanka	Tanzania Rep	
Australia	Argentina	Turkey	Australia	Mlaysia	South Africa	
Thailand	Philippines	Hong Kong	Norway	Thailand	USA	
Brazil	Korea, Rep	Poland	Turkey	Israel	Kuwait	
Turkey	Australia	Norway	Indonesia	Korea Rep.	Turkey	
Poland	Japan	Indonesia	Saudi Africa	Switzerland	Greece	
Russia	Hong Kong	South Africa	EU	Australia	Hong Kong	
Israel	Brazil	Saudi Arabia	South Africa	Indonesia	Brazil	
Norway	Singapore	Greece	Switzerland	Chinese Taipei	Mauritius	

Abbr. : GDP : Gross Domestic Product.

Note : GDP at Market Prices

\# : GDP at factor Cost.

Source : Medium Term Export Strategy 2002-2007, Ministry of Commerce & Industry, Dept. of Commerce, Govt. of India.

You may go thru' Medium Term Export Strategy 2002-2007 document prepared by Department of Commerce for more details about India's Exports. The document is available on Department of Commerce website www.commerce.nic.in .

1.9 SUMMARY

In this unit we have discussed the basis of International Marketing and the size of world trade. We started with a .discussion on the definition of International Marketing. Further, reasons have been identified why firms are directed into international markets, major reasons being PLC, competitions, excess capacity geographic diversification and increasing the market size. Various theories of international trade have been discussed which explain the premise of international trade. Concepts of exchange rate and balance of payments, which are very important in the context of international trade have also been explained.

Firms deciding to enter into international business have a number of strategies available them for entering foreign markets. These are : exporting, licencing, joint venture, manufacturing and management contracts. It is important for firms to analyse all the environmental factors - controllables as well as uncontrollables while entering foreign markets.

The unit also gives you an overview of world trade as well as India's foreign trade.

1.10 SELF ASSESSMENT QUESTIONS

1. Define the premise for the existence of International trade and business.
2. What are the reasons that promote international business concerns to invest in foreign lands?
3. A garment manufacturer presently operating in domestic market only wants to go international. Advise the organisation regarding various options available to reach foreign markets.
4. Is it beneficial for nations to become dependent on each other?

1.11 FURTHER READINGS

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1.12 APPENDIX

Appendix I: WORLD TRADE STATISTICS

GROWTH IN WORLD OUTPUT AND TRADE 1992-2002

Annual Percentage Change	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001[a]	2002[b]
World Output of which :	1.7	1.4	3.1	2.7	3.2	3.5	2.3	2.9	4.0	1.3	1.0
Developed Economies	1.7	0.9	2.9	2.3	2.7	3.0	2.5	2.7	3.5	0.9	
Economies in transition	-11.8	-6.7	-7.2	-0.6	-0.1	2.2	-0.7	3.0	6.0	4.3	
Developing economies	4.8	5.1	5.6	5.0	5.7	5.4	1.6	3.5	5.8	2.3	
World Trade [d]	**5.7**	**4.6**	**10.5**	**8.6**	**5.5**	**9.2**	**3.3**	**5.2**	**11.4**	**0.8**	**3.0**
World Output growth with PPP-based weights [d]	**1.9**	**1.8**	**3.8**	**3.5**	**3.9**	**4.1**	**2.6**	**3.4**	**4.6**	**2.2**	

Source : *UN/DESA*

a) partly estimated

b) Forecasts

c) Calculated as a weighted average of individual country growth rates of gross domestic product (GDP), where weights are based on GDP in 1995 prices and exchange rates.

d) Employing an alternative scheme for weighting national growth rates of GDP, based on purchasing power parity (PPP) conversions of national currency GDP into international dollars (for explanation, see the introduction to the statistical tables in the *World Economic and Social Survey 2001).*

EXPORTS AND IMPORTS OF SOME IMPORTANT COUNTRIES

EXPORTS AND IMPORTS OF SOME IMPORTANT COUNTRIES

Country	Exports (billion $)				Manufactures (% of merchandise exports)	Imports (billion $)			
	1990	1998	1999	2000	1998	1990	1998	1999	2000
Newly Industrialising Economies									
Hong Kong	29	174	174	202	95	82	185	180	213
Korea Rep. Of	65	132	145	172	91	70	93	120	160
Singapore	53	110	115	138	86	61	105	111	135
East & South East Asia									
Indonesia	26	49	49	62	45	22	26	24	33
Malaysia	29	73	84	98	79	29	58	65	82
Philippines	9	28	34	40	90	13	32	31	34
Thailand	23	54	58	69	74	33	43	42	62
China	62	184	195	249	87	53	140	166	206
South Asia									
Bangladesh	2	4	4	5	91	4	7	8	8
Bhutan	0	n.a.	n.a.	n.a.	n.a.	0	n.a.	n.a.	n.a.
India	18	34	36	42	74	24	42	47	52
Nepal	0	0	1	1	90	1	1	1	2
Pakistan	6	9	8	9	84	7	9	10	11
Sri Lanka	2	5	5	5	n.a.	3	6	6	7
Latin America									
Argentina	12	25	23	26	35	4	31	26	25
Brazil	31	51	48	55	n.a.	20	n.a.	n.a.	59
Chile	8	15	16	18	17	7	19	15	18
Mexico	41	118	137	n.a.	85	42	131	149	n.a.
Developed Economies									
France	209	306	300	295	80	233	287	290	301
Germany	398	543	541	550	86	341	471	472	498
Japan	287	388	419	479	94	231	280	311	380
United Kingdom	186	272	268	281	85	225	314	318	334
United States	371	682	702	781	82	516	944	1059	1258

n.a not available

Sources:

1. World Bank, World Development Report, 1999,2000/2001
2. IMF. International Financial Statistics Year Book 2000, Sept. 2001
3. Gol, MoF Economic Survey 1999/2000.

Exports And Imports of Some Important Countries

(As % of GDP)

Country	Exports				Imports			
	1990	1998	1999	2000	1990	1998	1999	2000
Newly Industrialising Economies								
Hong Kong	137	125	135	150	132	125	127	145
Korea Rep. Of	32	38	42	45	33	39	36	42
Singapore	190	187#	n.a.	n.a.	184	173	145	n.a.
East & South East Asia								
Indonesia	26	28	35	29	25	28	27	31
Malaysia	79	118	124	125	80	103	97	105
Philippines	28	56	52	56	34	67	51	50
Thailand	38	47	57	66	41	46	44	50
China	18	22	22	26	14	17	19	23
South Asia								
Bangladesh	8	14	13	14	18	20	19	19
India	6	8	12	13	9	11	15	16
Nepal	12	23	24	24	22	34	35	39
Pakistan	16	16	15	16	23	20	20	19
Sri Lanka	30	36	36	49	38	43	43	50
Latin America								
Argentina	6*	9	10	11	4*	11	12	11
Brazil	8	7	10	11	5	9	12	12
Chile	30	25	29	32	25	30	27	31
Mexico	17	31	31	31	17	33	32	33
Developed Economies								
France	18	24	27	23	18	21	24	23
Germany	27	27	29	29	21	25	29	27
Japan	11	9#	11	10	10	8	9	8
United Kingdom	19	29	26	20	21	29	28	24
United States	7	12	12	8	8	13	13	13

Note: Imports as %of GDP is derived as [E-(S-I)) as %of GDP

for 1997; * for 1991;

Sources: 1. World Bank, W*orld Development Report,* 1997, 1999/2000, 2000/2001.

2. GOI, Ministry of Finance, *Economic Survey* 1999/2000.

3. World Bank Data File.

Share in World Exports & Imports of Some Important Countries

Country	Exports (% share in world exports)				Imports (% share in world exports)			
	1990	1998	1999	2000	1990	1998	1999	2000
Newly Industrialising Economies								
Hong Kong	0.85	3.22	3.13	3.19	2.36	3.34	3.13	3.26
Korea Rep. Of	1.91	2.45	2.61	2.73	1.99	1.69	2.09	2.46
Singapore	1.55	2.03	2.06	2.17	1.74	1.90	1.94	2.06
East & South East Asia								
Indonesia	0.75	0.90	0.88	0.98	0.63	0.50	0.42	0.51
Malaysia	0.87	1.36	1.52	1.55	0.84	1.06	1.13	1.26
Philippines	0.26	0.50	0.58	0.62	0.37	0.66	0.54	0.51
Thailand	0.68	1.01	1.05	1.09	0.95	0.78	0.72	0.94
China	1.83	3.40	3.95	3.51	1.53	2.54	2.89	3.16
South Asia								
Bangladesh	0.05	0.07	0.07	0.06	0.10	0.13	0.13	0.12
India	0.53	0.62	0.65	0.67	0.69	0.78	0.78	0.78
Nepal	0.53	0.01	-	0.02	0.69	0.02	-	0.02
Pakistan	0.00	0.16	-	0.14	0.02	0.18	-	0.17
Sri Lanka	0.16	0.09	0.09	0.08	0.21	0.11	0.10	0.11
Latin America								
Argentina	0.36	0.49	0.42	0.41	0.12	0.57	0.44	0.38
Brazil	0.36	0.95	0.86	0.87	0.12	-	-	0.89
Chile	0.93	0.27	0.28	0.29	0.58	0.34	0.26	0.28
Mexico	0.25	2.17	2.46	0.00	0.20	2.37	2.59	0.00
Developed Economies								
France	6.17	5.66	5.40	4.68	6.66	5.26	5.06	4.62
Germany	6.17	10.05	9.74	8.70	6.66	8.54	8.24	7.63
Japan	11.72	7.18	7.55	7.59	9.77	5.08	5.43	5.82
United Kingdom	8.45	5.03	4.83	4.45	6.62	5.69	5.55	5.13
United States	5.47	12.62	12.64	12.38	6.44	17.11	18.48	19.3

Sources: 1. IMF, International Financial Statistics, Year Book 1998, October 1999, September 2001.

2. IIF, Country Reports.

APPENDIX II : INDIA'S FOREIGN TRADE STATISTICS

DIRECTION OF TRADE: EXPORTS

	(Rs. Crore)								(Percentage share)							
	1960-61	1970-71	1980-81	1990-91	1995-96	1998-99	1999-00	2000-01	1960-61	1970-71	1980-81	1990-91	1995-96	1998-99	1999-00	2000-01
I OECD of which:	**425**	**769**	**3126**	**17428**	**59223**	**80744**	**91461**	**107241**	**66.1**	**50.1**	**46.6**	**53.5**	**55.7**	**57.8**	**57.3**	**52.7**
I.1 EU of which:	232	282	1447	8951	28157	36361	39445	46123	36.2	18.4	21.6	27.5	26.5	26.0	24.7	22.7
I.1.1 Belgium	5	20	145	1259	3748	5418	5926	6718	0.8	1.3	2.2	3.9	3.5	3.9	3.7	3.3
I.1.2 France	9	18	147	766	2499	3491	3888	4660	1.4	1.2	2.2	2.4	2.4	2.5	2.4	2.3
I.1.3 Germany	20	32	385	2549@	6614@	7792@	7533@	8718@	3.1	2.1	5.7	7.8@	6.2@	5.6@	4.7@	4.3@
I.1.4 Netherlands	9	14	152	644	2572	3212	3838	4021	1.3	0.9	2.3	2.0	2.4	2.3	2.4	2.0
I.1.5 U.K.	173	170	395	2128	6726	7806	8817	10502	26.9	11.1	5.9	6.5	6.3	5.6	5.5	5.2
I.2 North America	120	235	806	5077	19487	32279	38886	45509	18.7	15.3	12.0	15.6	18.3	23.1	24.4	22.4
I.2.1 Canada	18	28	62	281	1022	1990	2506	2999	2.7	1.8	0.9	0.9	1.0	1.4	1.6	1.5
I.2.2 U.S.A.	103	207	743	4797	18466	30289	36380	42510	16.0	13.5	11.1	14.7	17.4	21.7	22.8	20.9
I.3 Other OECD of which:	65	234	708	3401	8870	8818	9330	10341	10.1	15.2	10.6	10.4	8.3	6.3	5.8	5.1
I.3.1 Australia	22	25	92	321	1257	1630	1747	1854	3.5	1.6	1.4	1.0	1.2	1.2	1.1	0.9
I.3.2 Japan	35	204	598	3039	7411	6950	7303	8198	5.5	13.3	8.9	9.3	7.0	5.0	4.6	4.0
II OPEC of which:	**26**	**99**	**745**	**1831**	**10300**	**14992**	**16910**	**22223**	**4.1**	**6.4**	**11.1**	**5.6**	**9.7**	**10.7**	**10.6**	**10.9**
II.1 Iran	5	27	123	141	514	669	659	1037	0.8	1.7	1.8	0.4	0.5	0.5	0.4	0.5
II.2 Iraq	3	10	52	44	2	153	214	384	0.5	0.6	0.8	0.1	Neg.	0.1	0.1	0.2
II.3 Kuwait	3	16	97	74	453	693	669	910	0.5	1.0	1.4	0.2	0.4	0.5	0.4	0.4
II.4 Saudi Arabia	3	15	165	419	1613	3257	3218	3760	0.5	0.9	2.5	1.3	1.5	2.3	2.0	1.8
III Eastern Europe of which:	**45**	**323**	**1486**	**5819**	**4092**	**3811**	**4894**	**4964**	**7.0**	**21.0**	**22.1**	**17.9**	**3.8**	**2.7**	**3.1**	**2.4**
III.1 G.D.R.*	3	25	49	*	*	*	*	*	0.5	1.6	0.7	*	*	*	*	*
III.2 Romania	1	14	58	96	100	74	54	56	0.2	0.9	0.9	0.3	0.1	0.1	Neg.	Neg.
III.3 Russia@@	29	210	1226	5255	3496	2985	4108	4061	4.5	13.7	18.3	16.1	3.3	2.1	2.6	2.0
IV Others LDCs** of which	**95**	**305**	**1286**	**5465**	**27324**	**34218**	**40906**	**54282**	**14.8**	**19.8**	**19.2**	**16.8**	**25.7**	**24.5**	**25.6**	**26.7**
IV.1 Africa	40	129	350	668	3584	5081	4841	6489	6.3	8.4	5.2	2.1	3.4	3.6	3.0	3.2
IV.2 Asia	45	166	900	4665	22613	26815	33391	43566	6.9	10.8	13.4	14.3	21.3	19.2	20.9	21.4
IV.3 Latin America and Carribean	10	10	36	132	1128	2322	2674	4228	1.6	0.7	0.5	0.4	1.1	1.7	1.7	2.1
V Others	**51**	**39**	**68**	**2010**	**5414**	**5987**	**5390**	**14861**	**8.0**	**2.7**	**1.0**	**6.2**	**5.1**	**4.3**	**3.4**	**7.3**
VI TOTAL	642	1535	6711	32553	106353	139752	159561	203571	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

DIRECTION OF TRADE: IMPORTS

	(Rs. Crore)								(Percentage share)							
	1960-61	1970-71	1980-81	1990-91	1995-96	1998-99	1999-00	2000-01	1960-61	1970-71	1980-81	1990-91	1995-96	1998-99	1999-00	2000-01
I OECD	**875**	**1042**	**5740**	**23310**	**64254**	**91964**	**92521**	**92090**	**78.0**	**63.8**	**45.7**	**54.0**	**52.4**	**51.6**	**43.0**	**39.9**
of which:																
I.1 EU	417	320	2639	12680	32691	43274	45556	45663	37.1	19.6	21.0	29.4	26.7	24.3	21.2	19.8
of which:																
I.1.1 Belgium	15	12	296	2718	5693	12103	15952	13112	1.4	0.7	2.4	6.3	4.6	6.8	7.4	5.7
I.1.2 France	21	21	280	1304	2812	3027	3084	2928	1.9	1.3	2.2	3.0	2.3	1.7	1.4	1.3
I.1.3 Germany	123	108	694	3473@	10520@	9006@	7978@	8039@	10.9	6.6	5.5	8.0@	8.6@	5.1@	3.7@	3.5@
I.1.4 Netherlands	11	19	215	793	1907	1953	2041	1999	0.9	1.2	1.7	1.8	1.6	1.1	0.9	0.9
I.1.5 U.K.	217	127	731	2894	6415	11028	11745	14472	19.4	7.8	5.8	6.7	5.2	6.2	5.5	6.3
I.2 North America	347	570	1851	5804	14191	16937	17076	15588	31.0	34.9	14.7	13.4	11.6	9.5	7.9	6.8
I.2.1 Canada	20	117	332	559	1275	1622	1649	1814	1.8	7.2	2.6	1.3	1.0	0.9	0.8	0.8
I.2.2 U.S.A.	328	453	1619	5245	12916	15314	15427	13774	29.2	27.7	12.9	12.1	10.5	8.6	7.2	6.0
I.3 Other OECD	80	122	932	4826	11881	16824	16099	13634	7.1	7.4	7.4	11.2	9.7	9.4	7.5	5.9
of which:																
I.3.1 Australia	18	37	170	1464	3418	6079	4692	4855	1.6	2.2	1.4	3.4	2.8	3.4	2.2	2.1
I.3.2 Japan	61	83	749	3245	8254	10373	10988	8416	5.4	5.1	6.0	7.5	6.7	5.8	5.1	3.6
II OPEC	**52**	**126**	**3488**	**7041**	**25586**	**32711**	**48394**	**11885**	**4.6**	**7.7**	**27.8**	**16.3**	**20.9**	**18.3**	**22.5**	**5.1**
of which:																
II.1 Iran	30	92	1339	1018	2001	1993	4721	465	2.6	5.6	10.7	2.4	1.6	1.1	2.2	0.2
II.2 Iraq	2	3	753	496	1	636	865	32	0.2	0.2	6.0	1.1	Neg.	0.4	0.4	Neg.
II.3 Kuwait	0	6	338	363	6590	6315	5680	515	0.0	0.3	2.7	0.8	5.4	3.5	2.6	0.2
II.4 Saudi Arabia	14	24	540	2899	6773	7705	10483	2838	1.3	1.5	4.3	6.7	5.5	4.3	4.9	1.2
III Eastern Europe	**38**	**220**	**1296**	**3377**	**4217**	**2864**	**3354**	**2968**	**3.4**	**13.5**	**10.3**	**7.8**	**3.4**	**1.6**	**1.6**	**1.3**
of which:																
III.1 G.D.R.*	3	19	44	*	*	*	*	*	0.3	1.1	0.4	*	*	*	*	*
III.2 Romania	5	17	97	50	496	182	87	99	0.4	1.0	0.8	0.1	0.4	0.1	Neg.	Neg.
III.3 Russia@@	16	106	1014	2548	2864	2295	2700	2365	1.4	6.5	8.1	5.9	2.3	1.3	1.3	1.0
IV Others LDCs**	**132**	**239**	**1966**	**7965**	**22509**	**37630**	**44585**	**40347**	**11.8**	**14.6**	**15.7**	**18.4**	**18.3**	**21.1**	**20.7**	**17.5**
of which																
IV.1 Africa	63	169	205	959	2763	5146	6603	3838	5.6	10.4	1.6	2.2	2.3	2.9	3.1	1.7
IV.2 Asia	64	54	1431	6033	17723	29391	33844	33149	5.7	3.3	11.4	14.0	14.4	16.5	15.7	14.4
IV.3 Latin America and Carribean	5	16	313	974	2022	3092	4139	3360	0.4	1.0	2.5	2.3	1.6	1.7	1.9	1.5
V Others	**25**	**7**	**59**	**1505**	**6112**	**13163**	**26382**	**83583**	**2.2**	**0.4**	**0.5**	**3.5**	**5.0**	**7.4**	**12.3**	**36.2**
VI TOTAL	1122	1634	12549	43198	122678	178332	215236	230873	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

@ Figures for unified Germany. Neg. - Negligible
* Included under F.R.G. (Item I.1.3 above) with the reunification of Germany.
@@ Refers to former USSR before 1992-93.
** Excluding members of OPEC.
Source: DGCI&S