

## *CHAPTER-VII*

### *IMPORT GROWTH AND INSTABILITY*

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#### **7.1 INTRODUCTION**

In the process of economic development of a country, there will be deepening of economic transactions with other countries. However, in the initial stages of economic development due to lower level of capital accumulation and poor quality of labour force the domestic output tends to be low. Hence, it is difficult to allocate the domestic demand to meet consumption and investment requirements. This also limits the exports to primary goods. Thus, this peculiar macroeconomic structure means that medium to long-run trends in imports play an important role in developing country. This has been asserted in various economic literatures.

According to Kindleberger (1962), in a developing economy due to number of reasons, the ratio of imports to national income rises unless restricted by commercial policy. According to him, growth brings forth new needs that cannot be supplied locally in the initial stages of development. There will be requirements of raw materials, capital equipments and new appetites through demonstration effect, rising income and frequently new capacity to import through capital borrowing.

He further stated that, Imports are essentially a function of the behaviour of demand in the economy constituted by demand for consumption goods and demand for capital goods. Since the imports of consumption goods have been drastically controlled, the basic factor contributing to mounting trade deficit has been increasing demand for capital goods.

Goldstein and Khan (1985) has suggested that trade relationship are subject to either gradual or sudden changes over time. They argued that gradual changes are due to the process of economic development or as the result of changes in government trade policies, where as sudden changes are due to the fluctuations in exchange rates, or large oil price increases that alter the basic demand and supply relationships.

According to Riccardo Faini, Land Pritchett, and Fernando Clavijo (1988) Imports generally react more swiftly than exports to substantial trade liberalization, resulting in short-run current account imbalances and a need for temporary financing.

This is, incidentally, one of the main justifications used by international organizations for supplementing structural adjustment packages with external loans.

With the above as the background, the question arises here is whether Indian economy has followed a similar trend.

The import regime in India was dominated by both quantitative restrictions on imports and a highly protectionist import tariff structure. The tariff structure was also characterised by a very high or prohibitive tariff on final goods. This anomalous import regime, among other factors, has been a major stumbling block for the sustained growth of an efficient industrial structure in India. In fact, a World Bank report classified 41 countries, including India, as "strongly inward-oriented" countries meaning that the overall incentive structure strongly favoured production for the domestic market.<sup>97</sup>

Since then, the Indian economy has been undergoing substantial changes in the external front. Reform efforts have been continual and strong since 1991, with significant changes occurring in 1993.<sup>98</sup> Almost all areas of the economy have been opened to both domestic and foreign private investment, import licensing restrictions on intermediates and capital goods have been mostly eliminated, tariffs have been significantly reduced, and full convertibility of foreign exchange earnings has been established for current account transactions.<sup>99</sup> As a result, of these policy changes the trends in imports have undergone a change. It is this trend that will be analysed in this chapter. This is because the imports growth trends and the instability of imports exert a destabilising impact on the macro-economy as a whole. This exposes the vulnerability of an economy, which is highly dependent on imports.

There will two part analysis. First country wise and then commodity wise. Each of these parts is sub-divided in three sections. (i) Growth analysis. (ii) Instability analysis. (iii) Relationship between growth and instability.

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<sup>97</sup> See, World Bank Report (1987).

<sup>98</sup> In chapter two, these reforms have been examined in detail.

<sup>99</sup> See, Dutta (1998)

This attempt is made in order to identify the country group and commodity group, which are responsible for the growth and instability of India's imports.<sup>100</sup> An attempt is also made to identify specific country and commodity for this trend.

## **7.2 COUNTRY WISE: IMPORT GROWTH AND INSTABILITY**

As mentioned above country wise findings are divided into three sections. Firstly, the findings regarding import growth are provided. In the second section, the result pertaining to imports instability is presented. In the last part the link between the import growth and instability have been examined.

### **7.2. a. Import Growth:**

A look at table 7.1 reveals that the major share of India's imports is coming from OECD group of countries during the period under study. This group constituted almost 49.01% of Indian imports. Not only this, the group has recorded 16.12% growth during this period, which is also significant at one percent level in absolute terms.

However, this table also reveals that a fall in the share of imports from OECD group of countries, from 53.94% in pre-reform period to 45.61% during post-reform period. This is mainly due to the decline in the imports from all the countries except Belgium, Australia and Switzerland. Similarly, the share of imports of OECD countries declined from 54.04% in adjustment period to 41.78% during post-adjustment period.

Import growth in absolute value also exhibits a similar trend of decline during both post-reform as well as during post-adjustment period when compared with pre-reform period and adjustment period respectively.<sup>101</sup> This is mainly due to the fall in the imports from all the countries except Canada, U.S.A, Switzerland, Belgium and France. A similar trend is also visible in terms of percentage share, where imports have not only shown deterioration

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<sup>100</sup> Import instability is here defined as short-term fluctuations in import payments corrected for trend.

<sup>101</sup> The imports growth has fallen from 15.75% in pre-reform period to 14.79% in post-reform period and from 23.10% in adjustment period to 14.41% in post-adjustment period.

but has indicated a negative growth during both post-reform and post adjustment period as compared to pre-reform and adjustment period.

The O.P.E.C. group constitutes nearly 16.72% of India's imports. It has also registered a significant growth rate of 15.92% during the period. The percentage share of imports from OPEC has increased marginally in post-reform period.<sup>102</sup> However, the percentage share of imports from this group has fallen from 21.17% in adjustment period to 14.85% during post-adjustment period.<sup>103</sup>

The imports growth in terms of absolute value from OPEC group has registered deceleration during post-reform as well as during post-adjustment period.<sup>104</sup> Similar, trend of declining import growth from this group is witnessed during both post-reform and post-adjustment period when analysis is done in terms of percentage share. This is mainly due to the lower imports from the countries such as Indonesia, Kuwait and Saudi Arabia.

The imports from the Eastern Europe group constitute a very small share of about 5.64 %. The main source of imports from this group is C.I.S. (Russia). It constitutes about 4% share of the total Indian imports during 1980-2007. The imports, in percentage share from this group have shown a decline during both post-reform period and post-adjustment period.<sup>105</sup> However, the analysis of imports in terms of growth in absolute value reveals a significant import growth of 8.33% from this group (caused by imports from Romania) during the period under study. Similar, trend is registered during post-reform period as compared to pre-reform period, indicating higher demand during

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<sup>102</sup> This is due to the increased imports from U.A.E (3.88%), Kuwait (2.82%) and Indonesia (1.63%) during post-reform period.

<sup>103</sup> This is due to declining imports from countries such as Iran, Kuwait, Saudi Arab and U.A.E.

<sup>104</sup> This is because of deterioration in imports from Indonesia, Kuwait, Saudi Arabia and U.A.E during post-reform period and Indonesia, Kuwait and Saudi Arabia during post-adjustment period.

<sup>105</sup> Imports share have fallen from 10.01% in pre-reform to 2.64% during post-reform period and from 3.60% in adjustment period to 2.21% during adjustment period. This is mainly due to lower imports from Russia (C.I.S).

liberalisation era. But, with in the reform period the imports have declined during the latter part of the reforms i.e. post-adjustment period.<sup>106</sup>

The last group is of Developing countries. As mentioned earlier it has three sub-groups, namely Asia, Africa and Latin America. As a group, after OECD, it is the second largest source of India's imports. It accounted for 21.27% share of total imports of India. The imports from this group have shown rising tendency during post-reform and post-adjustment period in percentage share.<sup>107</sup>

Further, in terms of growth this group has recorded the highest growth (21.02% in absolute value and 2.69% in percentage share) as compared to other groups, indicating that it is main and growing source for Indian imports during the entire period. Similar, trend of higher import growth is noticed during post-reform and post-adjustment periods, both in terms of growth in absolute value as well as in percentage share.

With in this group, the sub-group Asia is the main source of imports, it constitute nearly 15.80% share of the total imports and nearly 74% share of the total imports from the developing group of countries during 1980-81 to 2006-2007. During post-reform and post-adjustment periods, also the imports from Asia continued to show the higher percentage share as compared any other sub-group.

Further, the imports from this group have indicated a rising trend during post-reform period as compared to pre-reform period in absolute value. This rise in imports attribute to the imports from countries such as China (44.46%), Malaysia (21.04%), Nepal (27.95%) and Thailand (28.75%).<sup>108</sup> Imports from China increased due to the Bangkok agreement, which boosted the bilateral trade. While the higher import from Thailand and Malaysia is the

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<sup>106</sup> Import declined from 25.80% in adjustment period to 18.61% during post-adjustment period. This is mainly due to the fall in the imports from Romania as well as from Russia.

<sup>107</sup> The imports share increased from 16.78% in pre-reform period to 24.37% during post-reform period and from 21.18% in adjustment period to 25.81% during adjustment period.

<sup>108</sup> Imports from China have shown a higher and significant growth of 44.46% during post-reform period as compared to -32.73% during pre-reform period.

result of the "Look east policy".<sup>109</sup> But, import growth during post-adjustment period has shown a declining trend from 29.10% in adjustment period to 21.59% during post-adjustment period. This is mainly due to the lower imports from all the major countries of this group, which includes China, S.Korea, Malaysia and Singapore. But, Imports growth in terms of percentage share from Asia has shown declining trend during both post-reform and post-adjustment period as compared to pre-reform and adjustment period.<sup>110</sup> Again countries such as China, Hong Kong, S.Korea, Malaysia and Singapore were responsible for this trend.

Sourcing of imports from African countries also has indicated a declining trend in absolute value both during post-reform and post-adjustment period. This is mainly due to lower imports from Kenya, Tanzania and Zambia during post-reform period and all the countries of this sub group during post-adjustment period.<sup>111</sup> However, in terms of percentage share imports have shown a declining trend during post-reform period as compared to pre-reform period i.e. from 7.10% in pre-reform period to 1.03% during post-reform period. However, has exhibited a rising trend during post-adjustment period as compared to adjustment period, this is mainly due to higher imports from Tanzania.<sup>112</sup> After analysing the trend in imports growth, in the foregoing section Instability index will be examined.

#### **7.2. b. Import Instability:**

Instability index for different groups of countries from which India meet its imports is estimated both in terms of absolute value as well as in percentage share.

Table 7.2 shows that imports were more stable from OECD group as compared to any other group not only in absolute value but also in percentage

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<sup>109</sup> See Economic Survey 2003-04.

<sup>110</sup> Imports have fallen from 2.72% in pre-reform period to 2.66% during post-reform period and from 5.46% in adjustment period to 2.75% during post-adjustment period.

<sup>111</sup> This includes Benin, Egypt, Kenya, Sudan, Tanzania and Zambia.

<sup>112</sup> Imports from Tanzania increased from -8.49% in adjustment period to 11.08% during post-adjustment periods.

share. Similarly, during post-reform and post-adjustment period also the imports from OECD group have shown more stability.

However if we consider different sub-period then the imports from OECD indicated higher instability both in absolute value as well as in percentage share during post-reform and post-adjustment period as compared to pre-reform and adjustment period. This is accounted in the imports from countries of European Union.<sup>113</sup>

With respect to OPEC countries, Indian imports from this group have registered the highest instability during the entire study period in terms of both absolute value and in percentage share. This is mainly due to imports from the countries such as Iraq, Iran and Indonesia.<sup>114</sup> This may be possible due to political instability. Similar trend in import instability is witnessed when the analysis is done for the post-reform and post-adjustment period in terms of both absolute value and percentage share.<sup>115</sup>

The analysis for developing countries reveals that with in this group Indian imports are more stable from sub-group Asia as compared to Africa and Latin America during entire study period in both absolute value and percentage share.<sup>116</sup> This is mainly due to stable imports from countries such as Singapore, S.korea and Hong Kong.

During post-reform period also the imports from Asia have shown more stability as compared to all other sub-groups, not only this, instability

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<sup>113</sup> Mainly from the countries such as Belgium (26.09), Germany (25.00) and Italy (21.98) during post-reform period and France (29.78), Germany (28.60) and Italy (22.87) during adjustment period.

<sup>114</sup> The higher import instability is indicated by countries such as Indonesia (134.90), Iran (1259.18) and Kuwait (142.87) in absolute value and Indonesia (123.67), Iran (136.67), Iraq (1272.44) and Kuwait (134.89) in percentage share.

<sup>115</sup> The imports from Iraq have shown the highest instability as compared to any other country within the OPEC group and in the entire analysis, during post-reform, post-adjustment and entire study period both in absolute value and in percentage share.

<sup>116</sup> Import instability index for Asia estimated as 14.90 as compared to Africa (35.23) and Latin America (35.79) in absolute value and Asia (10.90), Africa (35.81) and Latin America (33.26) in percentage share during entire period.



has also indicated a declining trend both in terms of absolute value as well as in percentage share.

### **7.2. c. Growth and Instability:**

After having examined the imports growth and imports instability separately. It is now necessary to relate the two, so as to identify the best possibility of lower imports with stability. This possibility is required to achieve the objective of self-reliance or self-sufficiency. This is compatible with India's development strategy.

As mentioned earlier that imports from OECD group constitute the highest percentage share. The import from this group has registered a low instability during the entire study period under consideration (both in absolute value and in percentage share). In fact, the import instability index, for this group is lowest among all groups of countries during all the sub-periods in both absolute value and percentage share (See, Table 7.3). At the same time the imports from this has also indicated lower growth during both post-reform and post-adjustment period in absolute value and percentage share.

However, a comparison between adjustment period and post-adjustment period reveals that this lower imports growth is associated with higher instability. Thus, this group indicates the possibility of higher imports growth along with higher instability. Similarly, imports from OPEC group and Developing group also exhibit the possibility where lower import growth is associated with higher instability.<sup>117</sup>

It is the imports from the Eastern Europe that has indicated the most favoured possibility of lower growth and lower instability. However, it should also be noted that this group constitute a very small share of Indian imports. Other countries that have shown the similar pattern includes imports from Netherlands, U.S.A, Japan, Indonesia, Thailand and Sudan. Together this constitutes about 19% of India's total imports.

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<sup>117</sup> This kind of pattern of Indian imports is shown by the countries such as Germany, Italy, U.K, Switzerland, Kuwait, S.Arabia, Bangladesh, Bhutan etc.

From the above analysis it is evident that total imports have recorded a rising trend during post-reform period (i.e. imports growth increased from 12.42% in pre-reform period to 18.78% during post-reform period) indicating that the economy has become more open. This is mainly due to the sourcing of imports from developing countries rather than OECD that has the highest share in our total imports.<sup>118</sup> Further, the analysis of imports during adjustment and post-adjustment period shows deterioration during post-adjustment period. This because the imports from all the four groups of countries have declined. From this, it can be asserted that during the latter part of the reforms demand for imported items and goods has decreased.

The instability analysis shows that the imports from the OECD group are more stable as compared to any other group during the entire study period as well as during all the sub-period in both absolute terms and in percentage share. However, a comparative study of sub-period reveals a rising trend in the import instability of all the groups during post-reform period and post-adjustment period except Eastern Europe during post-adjustment period. This is mainly due to imports from Romania and C.I.S (Russia). The growth and instability relationship during post-adjustment period also exhibits that it is the imports from Eastern Europe, which registered best possibility of lower growth with lower instability trend.

### **7.3 COMMODITY WISE: IMPORT GROWTH AND INSTABILITY**

In the forgoing section, we examined pattern and behavior of Indian imports from various countries. In this section, the pattern of principal commodities is examined.

#### **7.3. a. Import Growth:**

Since, large number of commodities constitutes the import basket of India, it will be appropriate to discuss the growth analysis by dividing the

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<sup>118</sup> Indicating a structural change in the sourcing of our imports.

commodities group wise: On the basis of percentage share the growth trend has been analysed in terms Non-bulk imports and Bulk imports.<sup>119</sup>

Since the share of this group in the total imports is highest (53.48%) as compared to other group namely Bulk imports (44.01%) during the entire period under consideration as well as during the sub-periods (see table 7.4). Therefore, the analysis begins from imports of non-bulk commodities. This includes mainly Capital goods and Export related items, which constitute nearly 42% and 25% of imports of non-bulk commodities. It also includes other items that accounted nearly 33% of Non-bulk commodities.<sup>120</sup> During the post-reform and post-adjustment period, also imports of these commodities have shown higher percentage share as compared to pre-reform and adjustment period.

Further, the analysis in terms of absolute value also indicates that imports of Non-bulk imports grew at a faster rate than that of any other group during the study period as well as during post-reform period.<sup>121</sup> However, a decline in the imports growth is visible when import growth during post-reform and post-adjustment period is compared with the pre-reform and adjustment period.<sup>122</sup> This is mainly due to decline in the imports of both Capital good and Export related items. Imports of Capital goods declined from 19.01% in pre-reform period to 18.43% during post-reform period and further from 34.95% adjustment period to 19.98% in post-adjustment period.<sup>123</sup> The imports of Export related items declined from 32.71% in pre-reform period to 16.18% during post-reform period and from 16.17% in adjustment period to 14.75% in post-adjustment period. This mainly includes Pearls, precious and

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<sup>119</sup> This division is based on the statistics provided by RBI.

<sup>120</sup> This includes mainly Artificial resins and plastic materials etc.(1.92%), Professional, scientific controlling instruments, photographic optical goods (1.95), Coal, coke and briquettes etc.(1.90%) and Chemical materials and products (1.63%).

<sup>121</sup> Non-bulk imports grew at a rate of 20.10% while Bulk imports grew at a rate of 15.80% during the study period. Similarly, Non-bulk registered a growth of 18.96% and Bulk imports registered a growth of 18.73% during the post-reform period.

<sup>122</sup> Non-bulk imports declined from 22.20% in pre-reform period to 18.43% during post-reform period and from 34.95% in adjustment period to 19.98% during adjustment period.

<sup>123</sup> With in the Capital goods it is the import of Electrical machinery, which has declined during post-reform period and imports of manufactures of metals, machinery, and transport equipments declined during post-adjustment period.

semi-precious stones, Organic & inorganic chemicals and Cashew nuts during post-reform period and Organic & inorganic chemicals, Textile yarn, fabrics, made-up etc and Cashew nuts during post-adjustment period.

Growth in terms of percentage share also reveals the higher imports of Non-bulk imports than Bulk imports during entire period as well as during post-reform period. This is mainly due to the higher imports of Electrical equipments, Transport equipment and Textile yarn, fabrics, made-up etc during post-reform period. But a comparison between pre-reform and post-reform and further between adjustment and post-adjustment period shows a declining trend in the import growth. Not only had this, during post-adjustment period the import of Non-bulk goods recorded a negative growth (-0.81%).<sup>124</sup>

The share of Bulk imports in the total Indian import is 44.01%. This mainly includes Petroleum and crude products, which constitute 59% of this group and about 25.82% of the total imports during the study period. Imports in absolute value also grew at a rate of 18.73% during post-reform period as compared to 5.96% in pre-reform period. This is due to the higher import growth registered by all the commodities in this group as compared to pre-reform period the only exception were the imports of Fertilisers, Crude rubber and Metalliferrous ores that recorded a lower imports growth. However, imports recorded lower growth. However, imports recorded lower growth during post-adjustment. This is due to the fall in the domestic demand of all the commodities related to bulk imports (this includes Bulk consumption good such as Cereals, Edible oil, Pulses etc) except Petroleum, crude and Metalliferrous ores, metal scarp etc.<sup>125</sup> But an analysis of imports in percentage share shows an increasing trend of imports of Bulk goods during post-reform as well as post-adjustment period. This is mainly due to the higher

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<sup>124</sup> Imports of all the goods either have shown lower growth or negative growth this includes goods such as Manufacture of metals (0.36%), Machinery (-2.14%), Project goods (-21.84%), Pearls (-4.15%), Organic and inorganic chemicals (-4.37%), Textile (4.07%) and Cashew nuts (-6.95%). All items included in sub-group, others also registered low and negative growth.

<sup>125</sup> Imports of petroleum and crude increased from 14.85% in adjustment period to 23.74% during post-adjustment period while imports of Metalliferrous ores, metal scarp etc increased from 20.95% in adjustment period to 25.85% in post-adjustment period (absolute value).

imports of Petroleum, crude during post-reform period and in post-adjustment period.<sup>126</sup>

The overall analysis of growth exhibits lower consumption of Non-bulk items as compared to Bulk imports during post-adjustment period in percentage share. This indicates growing trend of Bulk-imports mainly petroleum towards the latter part of the reforms.

### **7.3. b. Import Instability:**

Instability index of different commodities imported by India is estimated both in terms of absolute value as well as in percentage share. It is presented in the table 8.5.

Instability index for the Non-bulk imports have shown lower instability index of 9.43 as compared to 17.20 index of Bulk-imports during the entire study period in absolute value. During post-reform and post-adjustment period also the instability index for Non-bulk imports have registered lower value of index as compared to Bulk-imports both in absolute value and in percentage share (See, Table 7.5). This shows that import of Non-bulk imports are more stable than the Bulk-imports.

Further, a comparative analysis of instability index between different periods reveals that import of Non-bulk imports was more stable during post-reform period (8.97) as compared to pre-reform period (10.26) in absolute value as well as in percentage share. Here instability index declined from 27.73 in pre-reform period to 6.07 during post-reform period. This is mainly due to the decline in the instability index of all the commodities such as Manufactures of metals, Machinery, Textile yarn, Cashew nuts, professional, scientific controlling instruments, photographic optical goods, Coal, coke and

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<sup>126</sup> Imports of petroleum and crude increased from -11.29% in pre-reform period to 1.54% during post-reform period. During the reform period imports of petroleum and crude increased from -8.14% in adjustment period to 3.93% during post-adjustment period while imports of Metalliferous ores, metal scarp etc increased from -3.26% in adjustment period to 5.69% in post-adjustment period.

briquettes, Medicinal and pharmaceuticals products, Chemical materials.<sup>127</sup> But with in the reform period the import instability has increased in absolute value as well as also in percentage share. That is from 4.65 in adjustment period to 8.66 during post-adjustment period in absolute value and from 3.79 in adjustment period to 6.71 during post-adjustment period in percentage share. This shows that our demand became more volatile towards the latter part of the reforms. This includes commodities such as Machinery, Transport equipment, Cashew nuts, Coal and coke, Medicinal and pharmaceutical products and Chemical materials.<sup>128</sup> Amongst all the commodities of Non-bulk import as well as Bulk imports it is the imports of Manufactures of metals that has recorded the lowest index during the post-reform and post-adjustment period in absolute value as well as in percentage share.

Similar kind of behaviour is exhibited by the imports of Bulk imports. Here also imports were stable during the post reform period as compared to the pre-reform period both in terms of absolute value as well as in terms of percentage share. But with in the reform period the imports exhibited higher instability during post- adjustment period.<sup>129</sup> This is mainly due to Petroleum products, edible oil, pulses, sugar, Fertilizer, non-ferrous metals, iron, and steel.<sup>130</sup> All these together constitute about 35% the total imports. The table further shows that unlike the commonly held belief the imports of Petroleum products are not responsible for the higher instability during post-adjustment period. This is because imports of Bulk-consumption goods have registered high instability as compared to Petroleum goods in absolute value as well as in percentage share in all the sub-periods. Therefore, by regulating the consumption as well as production of these goods, imports instability can be

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<sup>127</sup> All these together accounted about 21% of the total imports.

<sup>128</sup> However, Transport equipment registered lower instability index but has high instability among the commodities (See, Appendix Table A.22 and A.23). All these together accounted for 15% of the total imports.

<sup>129</sup> Instability index increased from 11.55 in adjustment period to 17.45 in post-adjustment period in absolute value and from 5.38 in adjustment period to 11.63 during post-adjustment period in percentage share.

<sup>130</sup> Amongst all the commodities it is sugar that has recorded the highest instability during entire period and during all the sub-period in both absolute values as well as in percentage share(See Appendix Table A.22 and A.23)

reduced to larger extent. Since growth and instability cannot be viewed separately. Therefore, it calls for a relationship between both.

### **7.3. c. Growth and Instability:**

As noted earlier that amongst all the four it is the possibility of lower imports growth and lower instability, which is favorable for a developing country like India if the aim is to achieve self-reliance.

The commodity group wise percentage share of imports growth and instability is presented in table 7.6. The Bulk imports shows a negative but higher import growth but with a improvement in the falling tendency in the instability index during post-reform, indicating possibility of increasing imports growth with a decreasing instability in imports.

On the other hand, imports of Non-bulk imports that constitute the highest share (60.23%) have exhibited the possibility of lower imports growth along with lower instability during post-reform period. Thus the group that exhibits the largest share of imports also shows the lower instability. The commodities such as Cereals, Fertilizers, Non-ferrous, Crude rubber, Metalliferrous ores, Metal scrap, Pearls, Cashew nuts, Artificial resins and plastic materials, Coal, coke and briquettes and Medicinal, pharmaceutical products also indicated the similar pattern or behavior of imports. Rest all the commodities falls in the remaining other unfavorable possibilities.

But, to know the real impact of external sector reforms it is necessary to take into account the post-adjustment period rather than post-reform period only. If this is done, then the imports of the commodities such as Non-ferrous, paper, paperboards, manufactures including newsprints, Crude rubber including synthetic and reclaimed, Manufactures of metals, Transport equipments and Textile yarns falls in the favorable possibility. Rest all other commodities have exhibited the other possibilities.

The above analysis reveals that it is the imports of Bulk imports that have witnessed higher growth than the Non-bulk goods during post-adjustment period in both the absolute value as well as in percentage share. This is mainly due to the imports of Petroleum and crude towards the latter

part of the reforms. Similarly, the instability index for the Bulk imports have shown the higher and rising trend as compared to Non-bulk imports during post-adjustment period. Among the Bulk imports, it is the imports of Bulk consumption items such as Cereals, Pulses, Edible oil, Fertilizers, Non-ferrous metals, Transport equipment, Cashew nuts, that are responsible for this kind of trend rather than the Petroleum and crude.

But if we consider the relationship between the growth and instability than it reveals that it is the imports of Bulk consumption goods as well as Capital goods that have registered the best possibility of lower growth and lower instability during post-adjustment period. Thus with passage of time, imports of Bulk consumption goods has become more stable.

#### **7.4 CONCLUSION**

In this chapter we have examined the behaviour and the pattern of Indian imports during post reform based on the analysis the following are the conclusions:

**7.4. a. Growth Analysis:** The total imports grew at a rate of 17.73 % during the study period. This is mainly due to higher imports from the Developing countries (21.02%) rather than OECD (16.12%), which is one of the main sources of our imports. Similarly, it is imports of Non-bulk imports (20.53%) that grew faster than the Bulk imports (15.80%). During post-reform period also imports have shown the rising trend. Here also imports from developing countries and imports of Non-bulk imports registered higher growth than any other group.<sup>131</sup> However, during post-adjustment period the imports from all the country and commodity group registered a declining trend. This is due to the result of global slow down.

**7.4. b. Instability Analysis:** The imports from OECD group shows lowest instability (most stable), while it is the imports from the OPEC countries that registered the highest instability during the study period and sub-period in

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<sup>131</sup> This is due to the imports from, Other Asian developing countries, which include countries such as China, Hong Kong, South Korea, Singapore and Thailand; and imports of Capital goods and Export related items.



both absolute value as well as in percentage share.<sup>132</sup> Similarly, it is the imports of Bulk imports that have recorded the higher instability as compared to Non-bulk imports during study period and also during sub-period in both absolute values as well as in percentage share. This is due to the imports of Bulk consumption imports rather than Petroleum and crude.

**7.4. c. Growth and Instability:** The relationship between the growth and instability shows that during post-adjustment period it is the imports from Eastern Europe that has indicated the best possibility of lower growth and lower instability. Similarly, it is the imports of commodities such as Non-ferrous, Paper and paper board, Crude rubber, Manufacture of metals, transport equipments, Textile yarn that has shown the best possibility.

Thus in terms of policy implication, the above analysis points to enhance the domestic production of commodities such as Cereals, Sugar, Edible oil, Pulses, Cashew nuts, Coal and coke, Fertilisers, Iron and steel, Medicinal and pharmaceuticals, Chemical materials in order to reduce the import instability. An appropriate agricultural and industrial policy may be adopted for this. The establishments of the new refineries and by increasing the refining capacities of the existing refining plants may further reduce the instability.

In the earlier chapters, we have examined the growth and instability of India's foreign trade in the light of external sector reforms. One of the objective of these reforms is to improve India's terms of trade vis-à-vis other countries. This is taken up in the next chapter.

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<sup>132</sup> This includes imports from Iran, Iraq and Indonesia.

TABLE 7.1

**INDIAN IMPORTS: AVERAGE PERCENT SHARE AND GROWTH RATE  
(GROUP AND COUNTRY WISE)**

	Group and Country wise	1980-81 to 1990-91	1991-92 to 2006- 07			1980-81 to 2006-07
			1991-92 to 1995-96	1996-97 to 2006-07	Overall	
<b>I.</b>	<b>OECD</b>					
	Avg % share	53.95	54.04	41.78	45.61	49.01
	CGR absolute value	15.75*	23.10*	14.41	14.79	16.12*
	CGR % share	2.96*	-1.54	-3.91	-3.43*	-1.46*
<b>A.</b>	<b>European.U</b>					
	Avg % share	27.70	28.42	19.64	22.39	24.55
	CGR absolute value	17.46*	21.77	2.19	8.42**	13.98*
	CGR % share	4.48	-2.60	-14.71	-8.79*	-3.28*
<b>B.</b>	<b>North America</b>					
	Avg % share	12.71	11.72	8.11	9.23	10.65
	CGR absolute value	11.76*	24.22*	15.17	14.03	14.69*
	CGR % share	-0.59	-0.64	-3.27	-4.07*	-4.83*
<b>C.</b>	<b>Asia &amp; Oceania</b>					
	Avg % share	10.68	10.17	7.06	8.03	9.11
	CGR absolute value	16.91*	23.33*	14.02	13.59	15.21*
	CGR % share	3.99*	-1.36	-4.24	-4.43*	-2.24*
<b>II.</b>	<b>O.P.E.C</b>					
	Avg % share	16.65	21.17	14.85	16.83	16.72
	CGR absolute value	13.30**	26.04	10.41	10.78	15.92*
	CGR % share	0.78	0.81	-7.27	-6.80	-1.63
<b>III.</b>	<b>Eastern Europe</b>					
	Avg % share	10.01	3.60	2.21	2.64	5.64
	CGR absolute value	7.26*	25.80**	18.61	14.43**	8.35*
	CGR % share	-4.59**	0.62	-0.39	-3.73	-8.08*

Continue...

TABLE 7.1

**INDIAN IMPORTS: AVERAGE PERCENT SHARE AND GROWTH RATE  
(GROUP AND COUNTRY WISE)**

	Group and Country wise	1980-81 to 1990-91	1991-92 to 2006- 07			1980-81 to 2006-07
			1991-92 to 1995-96	1996-97 to 2006-07	Overall	
<b>IV.</b>	<b>Developing Co</b>					
	Avg % share	16.78	21.18	25.81	24.37	21.27
	CGR absolute value	15.64*	29.10*	21.27	21.59*	21.02*
	CGR % share	2.86*	3.26	1.85	2.29	2.69*
<b>A.</b>	<b>ASIA</b>					
	Avg % share	11.96	16.01	19.55	18.45	15.80
	CGR absolute value	15.48*	31.85*	22.34	22.02*	21.48*
	CGR % share	2.72*	5.46**	2.75	2.66	3.08*
<b>B.</b>	<b>AFRICA</b>					
	Avg % share	2.55	3.39	4.52	4.71	3.51
	CGR absolute value	20.40*	17.39**	15.58	20.1	21.94*
	CGR % share	7.10*	-6.11	-2.93	1.03**	3.47*
<b>C.</b>	<b>Latin American</b>					
	Avg % share	2.24	1.77	1.79	1.79	1.97
	CGR absolute value	12.19*	28.96*	24.2	20.86*	16.70*
	CGR % share	-0.20	3.15	4.31	1.68	-0.97

Source: Compiled from Appendix Table A.16, A.19 and A.28.

(\*): Significant at the 1 percent level, (\*\*): Significant at the 5 percent level.

TABLE 7.2

**INDIAN IMORTS: INSTABILITY INDEX  
(GROUP AND COUNTRY WISE)**

	Group and Country wise	1980-81 to 1990-91	1991-92 to 2006-07			1980-81 to 2006-07
			1991-92 to 1995-96	1996-97 to 2006-07	Overall	
<b>I. OECD</b>						
	Absolute value	8.35	10.02	10.87	11.18	10.23
	Percentage Share	7.81	4.84	6.90	6.26	7.25
<b>A. European.U</b>						
	Absolute value	6.80	17.10	89.53	72.74	52.73
	Percentage Share	8.55	12.06	92.67	73.69	54.60
<b>B. North America</b>						
	Absolute value	18.94	10.99	13.84	14.03	16.46
	Percentage Share	12.43	9.51	10.42	10.25	11.25
<b>C. Asia &amp; Oceania</b>						
	Absolute value	17.65	9.70	18.49	16.41	16.79
	Percentage Share	18.57	7.42	14.48	12.40	17.81
<b>II. O.P.E.C</b>						
	Absolute value	91.79	10.13	108.78	83.03	84.41
	Percentage Share	91.23	6.15	99.53	76.32	80.80
<b>III. Eastern Europe</b>						
	Absolute value	22.48	51.10	19.21	33.67	30.85
	Percentage Share	21.19	51.63	13.08	30.23	27.77
<b>IV. Developing Co</b>						
	Absolute value	15.09	12.74	18.12	16.61	16.25
	Percentage Share	12.60	13.82	14.25	13.78	13.21
<b>A. ASIA</b>						
	Absolute value	15.85	6.14	15.06	13.56	14.90
	Percentage Share	13.45	6.74	10.32	9.36	10.95
<b>B. AFRICA</b>						
	Absolute value	34.92	32.96	34.34	32.70	35.23
	Percentage Share	35.52	32.15	33.14	32.10	35.81
<b>C. Latin American Countries</b>						
	Absolute value	29.72	59.49	29.89	38.80	35.79
	Percentage Share	26.08	63.43	25.87	37.95	33.26

Source: Compiled from Appendix Table A.17 and A.18.

TABLE 7.3

**INSTABILITY INDEX, GROWTH RATE AND AVERAGE (% SHARE)  
(GROUP AND COUNTRY WISE)**

	Group and Country wise	1980-81 to 1990-91	1991-92 to 2006-07			1980-81 to 2006-07
			1991-92 to 1995-96	1996-97 to 2006-07	Overall	
<b>I.</b>	<b>OECD</b>					
	Instability.I % share	7.81	4.84	6.90	6.26	7.25
	CGR % share	2.96*	-1.54	-3.91	-3.43*	-1.46*
	Avg % share	53.95	54.04	41.78	45.61	49.01
<b>A.</b>	<b>European.U</b>					
	Instability.I % share	8.55	12.06	92.67	73.69	54.60
	CGR % share	4.48	-2.60	-14.71	-8.79*	-3.28*
	Avg % share	27.70	28.42	19.64	22.39	24.55
<b>B.</b>	<b>North America</b>					
	Instability.I % share	12.43	9.51	10.42	10.25	11.25
	CGR % share	-0.59	-0.64	-3.27	-4.07*	-4.83*
	Avg % share	12.71	11.72	8.11	9.23	10.65
<b>C.</b>	<b>Asia &amp; Oceania</b>					
	Instability.I % share	18.57	7.42	14.48	12.40	17.81
	CGR % share	3.99*	-1.36	-4.24	-4.43*	-2.24*
	Avg % share	10.68	10.17	7.06	8.03	9.11
<b>II.</b>	<b>O.P.E.C</b>					
	Instability.I % share	91.23	6.15	99.53	76.32	80.80
	CGR % share	0.78	0.81	-7.27	-6.80	-1.63
	Avg % share	16.65	21.17	14.85	16.83	16.72
<b>III</b>	<b>Eastern Europe</b>					
	Instability.I % share	21.19	51.63	13.08	30.23	27.77
	CGR % share	-4.59**	0.62	-0.39	-3.73	-8.08*
	Avg % share	10.01	3.60	2.21	2.64	5.64

Continue...

TABLE 7.3

**INSTABILITY INDEX, GROWTH RATE AND AVERAGE (% SHARE)  
(GROUP AND COUNTRY WISE)**

	Group and Country wise	1980-81 to 1990-91	1991-92 to 2006-07			1980-81 to 2006-07
			1991-92 to 1995-96	1996-97 to 2006-07	Overall	
<b>IV. Developing Co</b>						
	Instability.I % share	12.60	13.82	14.25	13.78	13.21
	CGR % share	2.86*	3.26	1.85	2.29	2.69*
	Avg % share	16.78	21.18	25.81	24.37	21.27
<b>A. ASIA</b>						
	Instability.I % share	13.45	6.74	10.32	9.36	10.95
	CGR % share	2.72*	5.46**	2.75	2.66	3.08*
	Avg % share	11.96	16.01	19.55	18.45	15.80
<b>B. AFRICA</b>						
	Instability.I % share	35.52	32.15	33.14	32.10	35.81
	CGR % share	7.10*	-6.11	-2.93	1.03**	3.47*
	Avg % share	2.55	3.39	4.52	4.71	3.51
<b>C. Latin American Countries</b>						
	Instability.I % share	26.08	63.43	25.87	37.95	33.26
	CGR % share	-0.20	3.15	4.31	1.68	-0.97
	Avg % share	2.24	1.77	1.79	1.79	1.97

Source: Compiled from Appendix Table A.16, A.18 and A.20.

(\*): Significant at the 1 percent level, (\*\*): Significant at the 5 percent level.

TABLE 7.4

**INDIAN IMPORTS: AVERAGE PERCENT SHARE AND GROWTH RATE  
(GROUP AND COMMODITY WISE)**

	Group and Commodities	1980-81 to 1990-91	1991-92 to 2006-07			1980-81 to 2006-07
			1991-92 to 1995-96	1996-97 to 2006-07	Overall	
<b>I.</b>	<b>Bulk imports</b>					
	Avg % share	50.16	41.17	39.14	39.77	44.01
	CGR absolute value	5.96*	20.67*	20.62	18.73*	15.80*
	CGR % share	-8.12*	-3.49	1.31**	-0.11*	-1.64
<b>A.</b>	<b>Petroleum, crude products</b>					
	Avg % share	26.43	24.07	26.00	25.40	25.82
	CGR absolute value	2.30	14.85**	23.74	20.70*	17.31*
	CGR % share	-11.29*	-8.14	3.93**	1.54*	-0.35
<b>B.</b>	<b>Bulk Consumption goods</b>					
	Avg % share	7.07	2.35	3.56	3.18	4.77
	CGR absolute value	-0.35	49.50*	12.25*	21.52*	12.55*
	CGR % share	-13.59*	19.66**	-5.73**	2.23*	-4.4
<b>C.</b>	<b>Other bulk items</b>					
	Avg % share	16.66	14.74	9.58	11.19	13.42
	CGR absolute value	13.30*	26.07**	16.57	13.84	13.94*
	CGR % share	-1.75	0.84	-2.1	-4.23	-3.22
<b>II.</b>	<b>Non-bulk imports</b>					
	Avg % share	43.66	58.83	60.86	60.23	53.48
	CGR absolute value	22.20*	28.23*	18.10**	18.96**	20.53*
	CGR % share	5.96*	2.56	-0.81**	0.08*	2.38*
<b>A.</b>	<b>Capital goods</b>					
	Avg % share	21.46	24.82	22.38	23.14	22.46
	CGR absolute value	19.01*	34.95*	19.98	18.43	18.53*
	CGR % share	3.2	7.94**	0.77	-0.37	0.68
<b>B.</b>	<b>Mainly export related items</b>					
	Avg % share	9.55	17.13	15.46	15.98	13.36
	CGR absolute value	32.71*	16.17*	14.75	16.18*	22.46*
	CGR % share	15.07*	-7.08**	-3.63	-2.26*	4.02*
<b>C.</b>	<b>Others</b>					
	Avg % share	12.65	16.88	23.02	21.10	17.66
	CGR absolute value	20.16*	31.15*	18.45**	21.81	22.06*
	CGR % share	4.19**	4.9	-0.51	2.48	3.68*

Source: Compiled from Appendix Table A.21, A.24 and A.25.

(\*): Significant at the 1% level, (\*\*): Significant at the 5% level.

TABLE 7.5

**INDIAN IMPORTS: INSTABILITY INDEX  
(GROUP AND COMMODITY WISE)**

	Group and Commodities	1980-81 to 1990-91	1991-92 to 2006-07			1980-81 to 2006-07
			1991-92 to 1995-96	1996-97 to 2006-07	Overall	
<b>I.</b>	<b>Bulk imports</b>					
	Absolute value	17.78	11.55	17.45	15.39	17.20
	Percentage Share	16.69	5.38	11.63	10.18	18.68
<b>A.</b>	<b>Petroleum, crude products</b>					
	Absolute value	33.06	13.03	28.74	24.60	28.55
	Percentage Share	23.64	7.09	24.65	21.68	27.84
<b>B.</b>	<b>Bulk Consumption goods</b>					
	Absolute value	37.25	91.83	35.64	54.00	50.71
	Percentage Share	44.88	90.53	38.02	54.24	51.53
<b>C.</b>	<b>Other bulk items</b>					
	Absolute value	18.85	14.95	2.76	22.37	21.28
	Percentage Share	27.30	10.24	17.01	15.73	22.91
<b>II.</b>	<b>Non-bulk imports</b>					
	Absolute value	10.26	4.65	8.66	8.97	15.30
	Percentage Share	27.73	3.79	6.71	6.07	21.31
<b>A.</b>	<b>Capital goods</b>					
	Absolute value	14.42	8.84	15.18	15.31	15.00
	Percentage Share	28.75	12.51	11.76	12.41	22.19
<b>B.</b>	<b>Mainly export related items</b>					
	Absolute value	26.33	13.34	11.87	12.18	19.57
	Percentage Share	43.19	10.10	11.78	11.60	32.82
<b>C.</b>	<b>Others</b>					
	Absolute value	14.94	12.83	14.99	15.18	14.93
	Percentage Share	26.88	10.58	15.96	14.37	23.37

Source: Compiled from Appendix Table A.22 and A.23.



TABLE 7.6

**INSTABILITY INDEX, GROWTH RATE AND AVERAGE (% SHARE)  
(GROUP AND COMMODITY WISE)**

	Group and Commodities	1980-81 to 1990-91	1991-92 to 2006-07			1980-81 to 2006-07
			1991-92 to 1995-96	1996-97 to 2006-07	Overall	
<b>I.</b>	<b>Bulk imports</b>					
	Instability. I % share	16.69	5.38	11.63	10.18	18.68
	CGR % share	-8.12*	-3.49	1.31**	-0.11*	-1.64
	Avg % share	50.16	41.17	39.14	39.77	44.01
<b>A.</b>	<b>Petroleum, crude products</b>					
	Instability. I % share	23.64	7.09	24.65	21.68	27.84
	CGR % share	-11.29*	-8.14	3.93**	1.54*	-0.35
	Avg % share	26.43	24.07	26.00	25.40	25.82
<b>B.</b>	<b>Bulk Consumption goods</b>					
	Instability. I % share	44.88	90.53	38.02	54.24	51.53
	CGR % share	-13.59*	19.66**	-5.73**	2.23*	-4.4
	Avg % share	7.07	2.35	3.56	3.18	4.77
<b>C.</b>	<b>Other bulk items</b>					
	Instability. I % share	27.30	10.24	17.01	15.73	22.91
	CGR % share	-1.75	0.84	-2.1	-4.23	-3.22
	Avg % share	16.66	14.74	9.58	11.19	13.42
<b>II.</b>	<b>Non-bulk imports</b>					
	Instability. I % share	27.73	3.79	6.71	6.07	21.31
	CGR % share	5.96*	2.56	-0.81**	0.08*	2.38*
	Avg % share	43.66	58.83	60.86	60.23	53.48
<b>A.</b>	<b>Capital goods</b>					
	Instability. I % share	28.75	12.51	11.76	12.41	22.19
	CGR % share	3.2	7.94**	0.77	-0.37	0.68
	Avg % share	21.46	24.82	22.38	23.14	22.46
	Mainly export related					
<b>B.</b>	<b>items</b>					
	Instability. I % share	43.19	10.10	11.78	11.60	32.82
	CGR % share	15.07*	-7.08**	-3.63	-2.26*	4.02*
	Avg % share	9.55	17.13	15.46	15.98	13.36
<b>C.</b>	<b>Others</b>					
	Instability. I % share	26.88	10.58	15.96	14.37	23.37
	CGR % share	4.19**	4.9	-0.51	2.48	3.68*
	Avg % share	12.65	16.88	23.02	21.10	17.66

Source: Compiled from Appendix Table A.21, A.23 and A.25.

(\*): Significant at the 1% level, (\*\*): Significant at the 5% level.