Foreign Trade & Industrialisation: A Penumbric Profile

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In just about two years, India has become one of the most attractive and thrivingly potential economies that has set the pulse racing among the industrialised nations of the world. The influx of trade tourists from the high tech., high capital societies of the west and the east testifies the commercial opportunities arising in the country's stride for the 21st century.

Drastic and innovative resources of liberalisation has consequented in unprecedented phenomenon like the capital boom and impetus, for high technological competitive fields in industry and computers. Commendable as it may seem in terms of longtime interests, one cannot overlook the state of things illustrated by one of the most important thermometers of economic health, namely the Balance of Payments (BOP). While facts of the domestic economic crutch (e.g. only 3.3 price index increase till mid January and industrial production of 7% etc.) can suggest differently, one has to take into consideration the finance ministry officials' admittance that the easy picture may well be the consequence of a different charting method.

Winston Churchill once said that in the economic sphere, it was possible to decieve the country on all counts except in the case of foreign exchange. What with imports having increased by 25 percent against a decline of exports of 0 7% in the first six months of 1985-86 and a decline of Rs. 324 crores in foreign exchange reserves, India is heading for a massive trade deficit of over Rs. 8000 crores.

However, indications as per the pre-budget economic survey and the admittance of ministry official that "the outlook for the first year of the seventh plan for external sector of the economy is not satisfactory", it may not be too optimistic to expect the economy to recieve a modified direction. The text of the survey suggests an increase in custom duties to protect capital goods industries from foreign competition and also, a note of warning struck on the already deteriorating BOP position and to repayment obligation of past loans like the IMF. In this context there is an interlinked need for assigning the capital goods industry a special place in the strategy of industrialisation while particularly guarding against unfair competition and price undercutting by overseas producers, compounded by the cheaper credit availability in industrialised countries.

Among other things, the prescription for solving the BOP ailment includes a thrust on increasing exports while bringing down imports of bulk items through a two pronged strategy of import substitution and higher production. In the latter context, the recent hike in petroleum prices as a measure to regulate the demand and consumption of the the same and efforts to reduce imports of key agriculture-based items like edible oil and sugar are suggestive of meaningful endeavours initiated. By containing the petroleum demand, the government hopes to re-negotiate long term oil import cotracts as well as indulge in spot purchases in the international market-both realistic measures in order to take advantage of the falling international price. On the other side, announcement of a two year sugar pricing policy for the first time, coupled with a cut back on sugar imports while increasing it's availablity in the open market (and reducing rationed suger supplies) is expected to give production a major boost. Similarly, different policy package for oilseeds and fertilizers should result in savings to the tune of Rs. 160 crores alone. Thus, there is a genuine need for containing consumption of petroleum products and reducing import of key agriculture-based items, without failing to ensure adequate incentives to farmers and a long term agricultural price policy.

Against this background lies also the imperative need for measures to accelerate the growth of commodity exports (which at the moment is almost nil and stagnant) as well as earnings from invisibles, notably travel and tourism. The need of the hour is a multipronged strategy, each intrinsic and complementary to the objective of a prospective 21st century for which the nation is bearing the burdens of the day.

On the industrial front, production is expected to receive a spurt in the coming years from the present growth rate of about 7% (one per cent less than the stipulated eight percent of the seventh plan) due to several indicators in terms of a sharp rise in application received for new projects and the remarkable buoyancy in the stock market. Though a bit early for any definitive assessments of response to industrial policy initiatives whose implementation has only started recently, the issue of 1457 letters of intent (more than in any of the preceding three years) and a 26.2% increase over last years' term loans sanctioned by financial institutions along with new heights in number and value of capital issue contents as a consequence of liberalisation of guidelines anounced in 1984-85, the economy seems poised for a hitherto unseen acceleration of industrial growth.

Thus, while in conclusion, one can only cross fingers and wait for materialisation, while pre-budget surveys and other indicators speak of feasibilities, of infrastructures and of transition from a 'high-cost' to a low cost efficient industrial structure. Though this cannot exactly be painless and weak units may perforce be wound up, 'policies are being carefully designed to give sufficient time to industry to adjust the new challenges'.

The country looks forward to the decision makers and hopes for more than policies without practice and long time farsight.