PAPER TITLE : GAINS FROM TRADE TO INDIA THROUGH DIVERSIFICATION

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**ABSTRACT**

 Since ancient historical times trade has been an integral part of Indian economy. Indian exports are studied in terms of the direction or destination of export movement as well as goods composition of export basket. The research idea emanates from the fact that diversifying these components of exports could unleash the gains for India. Over the past few years India’s direction of trade has changed wherein the share of developed regions like EU and America which was approximately 49.54% in India’s exports by the end of the first decade following the economic reforms in 2000 declined to 38.38% in 2005 and 30.31% in 2010. Though the share of these regions has registered a marginal increase to 33.73% in FY2015, it is still lower as compared to share of other developing regions of Asia, Africa and Latin America in the same year[[1]](#footnote-1).

The report will further talk extensively on future export potentialities that could be unleashed to leverage the opportunities available to India in terms of both trading destinations and trade products. Export potential could be attained from the items on which high volumes of imports are being made by India’s trading partners, but India has insignificant global exports, such items are potential items for exports. These are the new products where potential to enhance exports in future lies and effective government interventions in the direction of these exports could help a long way in expanding exports. Emanating from here the report will try bring out the findings related to gains that India can achieve through this trade diversification to both goods and destinations.

The research report will specifically focus on the direction of trade followed by India since 1991 and up till now and how further diversification in India’s trade destinations or markets could provide impetus to its exports and hence greater integration to world market. The data tool that would be employed to study export potentialities would be International Trade centre’s Export Potential Map and analysis of the same will lead the report to its suggestive measures and concluding remarks. The report will also ponder upon the initiatives taken by government to realise the policy stance of diversification and will then provide suggestions for further export enhancement through export diversification strategies.

1. **INTRODUCTION**

 The history of India is intertwined with the history of India’s trade with rest of the world. Its exquisite products demanded world over along with the strategic position at the mouth of Indian Ocean connecting it conveniently to South Asian and South East Asian countries in the East and African and Central Asian Countries on Western side makes it an important trading destination. With the advent of new independent India, it adopted an ‘inward looking’ strategy of industrialisation through encouragement to domestic production and restrictions on foreign trade. This strategy was adopted because the Indian planners instead of viewing foreign trade as an engine of growth, considered it as an impediment to growth and development of the nation. International trade was considered as a form of spread of capitalistic ideology world over from developed nations to developing and underdeveloped countries.

This outlook with respect to India’s integration with world market witnessed a significant shift in the year of 1991 as major policy changes in India’s domestic economic policy as well as trade regime were introduced. India’s opening to world market and renewed view of foreign trade as engine of growth provided an impetus towards India’ s integration with international trade. The impact of trade reforms is evident from the changing structure of India’s foreign trade in terms of diversity of market and products. This report will specifically delve deep into market diversification component of composition of India’s trade and analyse its trajectory and intricacies related to it. The initial prelude to the topic of discussion is as follows.

Following the reform period of 1991, the Indian exports observed an upward and steady rise, which could be understood from the data that shows India’s exports as a percentage of world exports improved to 0.56% during 1991-96 and further to 0.65% during 1996-2002 from 0.48% in 1980s[[2]](#footnote-2). India’s exports were registered at US$18 billion in 1991-92 which increased to US$45billion in 2000-01 and to US$163 in 2007-08. The implication of the 2008 global recession was that this upward trend was halted and the Annual export growth rate registered at 29 % in 2007-08 declined to 13.6% in 2008-09 and turned negative at (-) 3.53% in 2009-10. One of the crucial reasons behind this significant decline was India’s concentrated export market or to say, its overdependence on a few export destinations viz. USA and EU which together comprised of around 40% share in India’s total exports[[3]](#footnote-3). Following this, the realisation dawned upon policy makers that to achieve and retain the sustained growth in exports, it is very crucial to diversify India’s export market.

This brings the topic of ‘Diversification of Exports’ on the discussion table and necessitates analysis of diversification of Indian exports and what gains it could achieve from this strategy related to international trade and development. The starting point remains that why diversification of exports is being given impetus and widely regarded as one of the crucial second-generation reforms. The direct implication of export diversification is reduced vulnerability from any unforeseen resulting out of adverse terms of trade with few concentrated markets. Apart from this concentration in only few markets also contains the risk of increasing protectionist measures and also makes the country’s foreign trade less elastic to functional factors in other countries, that comprises of higher chunk of India’s foreign trade composition. Trade diversification is also central to creation of new, higher productivity jobs that will facilitate growth through structural transformation. Multilateral trade liberalisation through World trade Organisation and emergence of regional trade blocs provides newer avenues for diversification of exports. Increased income to the nation through expanded exports resulting out of diversification in markets and products of exports will help in achieving not only 400billion dollars exports target of India, but will also aid in grabbing opportunities in widely integrated world markets. Along with this diversification ensures diverse trends in trading relations of the nations and hence widely interconnected trade with rest of the world that ensures higher income accruing from exports to the exporting nation. Thus the paper analysis the trend in exports since Independence and further expands upon future opportunities that emanates from diversification in trade basket of India.

KEYWORDS : Composition, Diversification, Exports

1. **OBJECTIVE AND METHODOLOGY**

 The research report on the topic ‘Gains from trade to India through Export Diversification’ will revolve around the analysis of India’s export structure and the trajectory it had traversed owing to the socio-political and economic turnarounds that have taken place in the nation.The research report will focus on the trends witnessed in composition and direction of trade. Export composition includes the types of products that are being exported from India to various world markets. Trade direction reflects upon the destinations and regions with which India has been engaged for the trade in goods and services. Emanating from this analysis the report will reflect upon the findings of data about diversification and concentration trends in both market and products of Indian exports. Extending from here the research report’s specific analysis entails reflection upon the export potential that India holds in contemporary time period, which could be manifested through future export diversification of India’s trade and finally what gains it could yield from such transformation. This will be based upon the analysis of ITC’s data tool on exports, i.e., Export Potential Map and findings from the same will lead to conclusion on gains that could be generated from proposed diversification strategy.

The study will be based on secondary analysis of data from sources like Ministry of Commerce & Industry, Economic survey, India trade Portal, DGFT and prior research of academicians and researchers on the topic of export diversification.

For the analysis of diversification trends in product and market, the research will make use of data from official sources like Ministry of Commerce, and from there use percentage share of exports and trends being observed in the same. The trend in values will help in drawing inference upon the degree of diversification that has taken place in India’s export structure.

For the final part of report that will deal with suggestive measures on export potentialities of India, the parameter that will be used to analyse the ‘Potential Component’ of exports is ITC’s Export Potential Map. The findings from above mentioned data tool value will aid in reflecting upon the suggestions for unleashing the gains from expansion and diversification of exports in proposed regions and product domains.

1. **HISTORICAL BACKGROUND OF INDIA’S TRADE SECTOR**

 With the colonial impressions all over the economy and rooted in dismal state of country’s prime fundamentals like manufacturing, forex reserves, education, investments etc reflected in form of ‘inward looking’ approach towards foreign trade. Far from viewing foreign trade as an engine of growth, Indian planners embarked upon strategy of minimising imports and viewed exports as unnecessary remnants of colonial rule. This reflected in India’s participation in world markets, that witnessed a decline during second half of 20th century. Its share of world merchandise exports was 2.2% in 1948, which dropped down to 0.5% in 1983 and then rose marginally to 0.7% in 2000. Apart from these exports as an important economic fundamental of the nation was not accorded priority and hence exports as percentage of GDP kept on declining steadily. In 1960 exports stood at 4.46% of GDP and dropped to 3.78% in 1970. This witnessed an increase of 5.5% in 1975 and then around 8.5% of GDP in 1990.This reflects discouragement to foreign trade post-independence resulting from gloomy colonial experiences. [[4]](#footnote-4)

Major events along with policy paradigm of Indian planners that led to declining as well as fluctuating trends in India’s exports and imports could be summarised in following discussion. During the period of 1950s, India was reasonably open with merchandise trade (exports plus imports) accounting for 16% of the GDP. Gradually the share of external sector in India’s GDP declined with inward looking policy of import substitution. Indian export basket comprised mainly of traditional items like tea, cotton textiles and jute manufacture. Additionally, India had to face stiff competition from emerging economies like Ceylon, East Africa, Middle east etc. During this time period the emphasis of policy makers was on import saving rather than export promotion and priority was accorded to basic goods and capital goods sector. Hence exports remained modest and external sector contracted in relation to GDP from level observed in early 1950s. Along with contracting size of external sector, the strains of Indo- China Conflict of 1962, Indo- Pak war of 1965 and severe droughts of 1965-67 led to persistent CAD and low level of foreign exchange reserves. This burgeoning trade deficit led to devaluation of rupee by 36.5%[[5]](#footnote-5) in June 1966 and hence a major event in India’s foreign trade trajectory. Given India’s limited export basket, the sharp devaluation increased competitiveness of India’s exports. Thus in 1973-74, the modest exports growth outpaced imports and current account turned into surplus.

Due to growth in exports, India’s BoP remained comfortable during 1970s. The adjustment to first oil shock of 1973-74 was carried on smoothly. However, the impact of Second Oil shock of 1979was quite severe and ripples were felt in 1980s as well. Coupled with this, imports also doubled between time period 1978-82 and hence BoP again got into stressed situation. During the same time period, export performance was depressed by severe international recession of 1980-83. Amidst these circumstances, India’s external policy was experiencing a tilt towards greater openness and external stability.

Another major event that proved to be a big blow to India’s external sector was crisis of 1991.India found itself to be in worst BoP crisis since 1947.Hence emerged the long overdue economic reforms from this crisis, that included not only immediate programme of macroeconomic stabilisation but also structural reforms in industrial and trade policies. Apart from this, other factors like political acceptance of liberalisation measures, collapse of Soviet Union and China’s spectacular growth post 1978 reforms created a room for reforms on lines of liberalisation, openness, transparency and globalisation with thrust on export promotion. Thus, the trade policy changes in the post 1991 period, sought to minimise the role of quantitative restrictions and reduce tariff rates as per the suggestions of Tax Reforms Committee headed by Raja J Chelliah. Measures such as devaluation of rupee in July 1991, transition to market-based exchange rate regime and multilateral commitments of India to the WTO aided in enhancing competitiveness of India’s exports. Some of the distinctive features that resulted in turning trade policy towards higher exports were, first, a clear shift from import substitution to export promotion. Second, expansion of export incentives to include greater number of non-traditional and non-manufactured export items. Third, a shift in policy stance wherein instead of direct export subsidy provisioning, now indirect promotional measures were given greater impetus. All these developments and policy initiatives led to distinctive change in India’s trade structure in terms of diversity of markets and product and also in degree of trade openness.

The commodity composition exports has undergone a change where the shift has taken place from traditional and primary products towards technology intensive and industrial products. The destination profile has considerably shifted towards developing countries. The export promotion strategies resulted in enhancement of share of ‘manufactured goods’ in India’s total export from 70.7% in 1987-90 to 75.35 during 1992-97 and then to 77.5% in time period 1997-2002[[6]](#footnote-6). During this period the exports of petroleum products and chemical products also increased. Within the group of primary products, the share of ores and minerals decreased while that of agricultural and allied products increased. Whereas the category of engineering goods witnessed a considerable increase, signalling an upward movement in value addition chain. On same lines, exports of processed agricultural products increased, signalling advancement of India’s food processing sector. The traditional export items like tea, handicrafts, coffee, carpets witnessed decline in this post reform period.

The market wise analysis of Indian exports shows an unchanged position w.r.t Organisation for Economic Cooperation and Development (OECD) group holding the largest export market share, increasing prominence of OPEC and developing countries of Asia, Africa and Latin America and decline in share of eastern European countries. The share of East European countries declined with collapse of Soviet Union, resulting in decrease in share from 17.9% in 1990-91 to 2.9% in 2001-02. The decline in share of this market was covered up by increase in share of OPEC and developing countries.

The upward trend in India’s exports followed further with threefold rise in India’s merchandise exports from less than US$100billion before 2005-06 to above US$300billion in 2011-12, majorly due to high growth in exports of petroleum, oil and lubricants. India’s greater integration with world economy was reflected by trade openness indicator, merchandise trade to GDP ratio which increased from 13.9% in 1991-92 to 27% in 2004-05 and then further to 41% in 2013-14. This reflects the trends being followed by Indian trade sector owing to several events that kept influencing export and import regime of India. Emanating from this brief historical background of India’s foreign trade, the following topics will dive deep into insightful analysis of export composition in past two decades and how far they have moved on path of diversification component, as crucial policy paradigm.[[7]](#footnote-7)

1. **DATA ANALYSIS**

(Source: Foreign Trade Performance analysis, Trade Statistics, Department of Commerce, MoC&I)

1. **Destination analysis of Exports**

 The destination analysis of India’s exports entails reflection upon changes overtime that has taken place in India’s trade relation with different nations of the world. One of the crucial indicators that could be crucial in understanding the same is percentage share of different regions of the world in India’s total exports to rest of the world. At the start of 21st Century, the regions that comprised of highest export share of India included North America with 24.75% share, followed by European Union countries and North East Asia with 20.7% and 15.2% export share respectively. Other major regions during the same time period remained ASEAN nations, Non-EU European countries and West Asian countries.

Intra-regional analysis of India’s top export destinations at the beginning of decade of 2000s, shows that within European Union, Belgium, Germany, Italy and Netherland occupied top slots in export share. USA had been the largest exporting market for India in North American region followed by Canada and then Mexico. Within ASEAN bloc, Singapore, Thailand and Malaysia remained topmost destinations for India’s exports. In West Asia United Arab Emirates acclaimed highest share and in North East Asia, Hong Kong and Japan comprised of largest export share within this region. These destinations were together form the regions with which India had strong trade relations around 1999-2001 time period. However, this export destination composition underwent the variations over the period of 20 years. Hence these changes in export destinations would be a reflection upon level of trade diversification that has taken place in terms of India’s market composition.

The share of ASEAN bloc has increased over last two decades from around 6.07% in 1999 to 10.09% in 2005, which further rose to 10.8% in 2020. During this duration of 20 years the share of exports to this region kept on increasing and thus implies that India kept diversifying its markets amongst ASEAN nations. The share of Central Asian Region that includes Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan remained within the range of 0.15% - 0.25% over last two decades. Along with it, this share kept on fluctuating owing to variability in tariff schedules and regional political issues. Analysis of African region shows that the shares of West Africa and North Africa have increased overtime whereas the share of East Africa has witnessed a slight decline. In case of East Africa its share in India’s total export was 1.26% in 1999 which rose to 2.9% in 2012 and further dropped to 1.98% in 2020. North African share rose but remained within the range of 1.1% - 1.9%. The share of West Africa witnessed a rise from 1.57% in 1999 to 3.23% in 2020.

European Union has remained India’s traditional export partner and hence held one of the highest shares of 20.73% in 1999. This share witnessed a decline overtime and thus dropped to 15.5% in 2010 and further to 14.17% in 2020. However intra-regional analysis shows that the share of previous highest exporting destination countries within European region got expanded overtime and greater number of countries hold high export share within this region. Now large export markets include not only countries like Germany, Italy Netherlands but also the emerging destinations like Poland, Spain and France.

Latin America and South Africa are the regions with which India has diversified its trade and thus the export shares of these markets in India’s total exports have increased continuously over past two decades. The steady and continuous rise in export share of these destinations is an indication of trade diversification to these regions of the world. Within Latin American region, during 1999 Brazil and Chile held highest export share of India, however overtime Colombia also gained equivalent position as an important exporting destination for India. Within south African region, the position of South Africa as topmost export destination for India has remained same overtime, however Botswana and Mozambique have also gained prominence as trading partners for India. The share of South Asia as closest trading region for India witnessed a rise over last two decades with few fluctuations during 2008-2010.

North East Asian region as another traditional export region for India has witnessed a decline in its share in India’s total exports. North East Asian Region’s share in India’s exports in 1999 was 15.2%, which dropped to 12.9% in 2013 and then 12.3% in 2019.Within North East Asia the exporting destinations expanded from Hongkong and Japan to include other countries like China, Taiwan and Korea RP. Gulf Cooperation Council States share in India’s exports rose from 8.7% in 1999 to 11.7% in 2004 and further to 17.3% in 2008. It has recently witnessed decline with its share dropping to 9.5% in 2020. Thus, this one of the markets where India has expanded over two decades. Intra-regional analysis shows that UAE and Saudi Arab that held highest export share within this region remained intact along with other locations like Kuwait, Omar and Qatar also grabbing top slots along with the traditional markets.

1. **Export Products’ Composition**

 The following analysis will cover the changing share of various products in India’s total exports over a period of past two decades. Comparative analysis across various products during the time period of last 20 years will in turn be reflection of changing diversification structure of export items. Decrease in share of traditional export items implies decrease in concentration of export product composition and expansion of export basket.

At the start of first decade of 21st century, the highest share in export basket was comprised of product categories gems and jewellery, chemical products, Engineering goods and textile products. Out of these textiles constituted highest share of 24.26% of total exports, followed by 16.75% share of gems & jewellery category and 14% and 12.9% of chemical products and Engineering goods respectively. Over two decades, the percentage share of these export categories changed where, in 2020 highest share of 16.5% of total exports is constituted by chemical products, followed by agriculture and allied products comprising 11.14% and approximately 9% share by each of machinery, base metals and petroleum products category. Textiles accounted 10.4% of total exports whereas gems & jewellery recorded 8.9% share. This shows that over last 20 years the exports have diversified in terms of reduction in highest share as well as increase in product categories comprising topmost exports from India. For instance, products like agricultural goods and petroleum products got recorded in topmost exports, which was not so in the year 2001.

Comparative analysis across various products is discussed in the following paragraph. Starting with category of plantation that includes tea and coffee has witnessed a decline in its export share in both the products tea and coffee. These tea as one of the traditional export products recorded export share of 0.89% in 2001 which declined to 0.5% in 2005 and then to 0.25% in 2014 and stagnated to approximately same level till 2020. Reasons behind decline in this traditional export item are decrease in prices of Kenyan and Sri Lankan Tea and hence drifting of India’s tea importer to these countries due to competitive prices. Apart from this scarcity of variation in beverage product mix of India is also responsible for such a decline. Agriculture and allied products category’s share in India’s total exports have increased overtime from 8.8% in 2001 to 10.3% in 2014 and further to 11.14% in 2020. Between 2000 and 2014 the share kept hovering within the range of 8 to 9%. Within this category of agricultural allied products, the share of poultry, dairy and meat products have increased whereas share of floriculture products has declined. Exports of cereals have increased and that of pulses have decreased. Share of spices, another traditional export item has remained same over the period of two decades and kept fluctuating within the range of 0.8% to 0.9%. On the other hand, share of nuts and seeds, another important traditional export has decreased overtime owing competitive pricing and opening up of markets from competitors like GCC countries.

Gems and Jewellery category of export items that held one of the topmost slots at the start of decade of 2000s has witnessed decline in its share in India’s total exports. Its export share in 2001 was 16.75%, that dropped to 15.06% in 2006 and further to 12.19% in 2020. The reason behind this variation in export share of gems and jewellery is high import duty on cut and polished diamonds that are used as an important raw material for finished jewellery products. Restrictions on gold imports and frequent fluctuation in gold prices. Apart from this low skill and manufacturing upgradation in this industry is also suppressing competitive fringe. India has diversified widely in the category petroleum products in the world markets. Share of petroleum products in India’s total export share has continuously increased overtime. Its share in 2001 was 4.29%, that increased to 8.37% in 2005 and further to 18.3% in 2015.

Chemical and related products category also comprises one of the highest shares in India’s export basket. The percentage share of this category in exports kept hovering between 12-14% over past two decades. The share of exports from petroleum products category, has increased from around 4.3% in 2001 to 15.77% in 2009 to around 14.2 % in 2019.It has dropped recently to 8.84% in 2020.India’s exports have increased within this category over the years and hence petroleum products has grabbed one of the topmost slots recently. Textiles as traditional export category of India has witnessed decline in its share in India’s total exports. Its share in 2001 was around 24.26%, which dropped to 8.9% in 2015 and further to 11.17% in 2020. The share of electronic goods has remained within the range of 2-3% over two decades. the share of engineering goods category has increased from 12.87% in 2001 to approximately 20.9% in 2007, and thereafter remained in the range of 19-20% till recently. Increase in share of this category reflects rise in share of manufacturing goods category in total exports and hence India’s diversification from its traditional primary exports to rest of the world.

1. **EXPORT POTENTIALITIES**

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| **EXPORT POTENTIAL TABLE (Source: ITC – 2021-22 figures)** |
| **S.No.** | **REGION** | **POTENTIAL EXPORTS (In bn$)** | **ACTUAL EXPORTS (In bn$)** | **UNTAPPED POTENTIAL (In bn$)** | **POTENTIAL AREAS** |
| 1 | North America | 85.2 | 55.4 | 29.8 | Jewellery, Pharmaceuticals, Machinery, Motor vehicles, Apparel |
| 2 | EU & West Europe | 79.3 | 50.1 | 29.2 | Apparel, Jewellery, Chemicals, Machinery, Motor parts |
| 3 | East Asia | 67.4 | 31.8 | 35.6 | Fisheries, Jewellery, Chemicals, Machinery, Motor parts |
| 4 | Middle East | 60.4 | 40.6 | 19.8 | Jewellery, Rice, Machinery, Motor vehicles, Apparel |
| 5 | Southeast Asia | 48.2 | 22.9 | 25.3 | Jewellery, machinery, metals, Chemicals, Motor parts |
| 6 | South Asia | 23.6 | 17.9 | 5.7 | Ferrous Metals, motor vehicles, cotton textiles, machinery |
| 7 | South & Central America | 14.8 | 8.2 | 6.6 | Chemicals, Electricity, Pharmaceuticals, Plastics, Motor vehicles |
| 8 | West Africa | 10.9 | 6.4 | 4.5 | Rice, Motor vehicles, machinery, Pharmaceuticals, Apparels |
| 9 | East Europe & Central Asia | 9.5 | 4.5 | 5 | Rice, Motor vehicles, machinery, Pharmaceuticals, Chemical |
| 10 | Eastern Africa | 9.4 | 6.1 | 3.3 | Rice, Motor vehicles, machinery, Pharmaceuticals, ferrous metals |

 One of the crucial reasons behind encouraging policy initiatives in direction of export diversification is yielding the dormant export potential that India withholds. Realising the direction and product domain of potential can help a long way in diversification of exports and hence increase in export income to India. The following section will discuss the export potentialities in various regions and products that India holds in foreign trade. Data in this section has been sourced from international trade Centre data. This data has been organised and analysed for extracting the authentic information on India’s potential in export, how far it has progressed and the remaining gaps in the same. Analysis of gaps in potential exports reflects the scope of diversification that India holds in expansion of its export income. The above table shows the scope of export diversification in top ten destinations in five highest demanded products at respective markets. The data reflects untapped potential exports which is absolute difference between actual exports from India and potential exports from India at these prospective markets in the world.

North America tops amongst the destinations with potential exports from India which equals to approximately 85.2 billion dollars, followed by European Union, East Asia and Middle East. Other destinations include Southeast Asia, West Africa, East Europe, Eastern Africa and South Asia. The highest untapped potential exports are in the regions such as East Asia, North America, EU and West Europe. Out of these North America and EU comprises of destinations with which India had strong trade relations in past and are continuing in contemporary time period. Thus, working closely with these nations and negotiating reciprocal trading terms could go a long way in diversifying as well as expanding export income for India. Henceforth these nations that had been traditional trading partners and have strong trade links with India at present are low hanging fruits for India for its export expansion. Destinations like Southeast Asia, Middle East and South America are amongst the markets that does not feature amongst the countries with large shares in India’s exports, but present good value of untapped potential for India to unravel from these destinations. Southeast Asia promises approximately 25.3 billion dollars of untapped export potential for India.

In terms of product composition, jewellery, machinery and motor vehicles are the categories, different product exports from which can yield high export income on diversifying in these categories. In East Asia and Southeast Asia chemicals and fisheries are the dominant product categories in which India can expand its trade through higher better-quality exports in these categories. In Eastern and Western Africa Rice and pharmaceutical products occupy top echelons in potential areas for untapped scope for higher exports.

In South and Central America, insecticides, rodenticides and medicaments shows the largest absolute difference between potential and actual exports worth around 354 million dollars. Similarly, products with largest export potential from India to East Europe and Central Asia are motor vehicles, organic chemicals and medicaments. Out of these motor vehicles shows highest untapped potential worth around 360 million dollars.

Products that show highest scope for exports from India to North America are diamonds, moto vehicles and medicaments. Realising potential of diamond exports could yield additional exports worth around 1.2 billion dollars. In South Asian region highest export potential is found in products like motorcycles, iron & steel and cotton textiles. South Asian region show quite high demand for motorcycles manufactured in India. This potential area could yield exports worth $345mn. Middle east region has one of the highest scopes for export diversification from India at current period due to greater opening up of their markets for rest of the world. Here the diversification scope lies in products such as precious metal jewellery and wholly milled rice. Henceforth, the diversification in potential destinations and product composition provide a sketch for trade policies to move in that particular direction so as to reap the benefits of higher and diversified exports.

1. **CONCLUSION**

 The composition of India's trade in world market has undergone substantial changes, particularly, after the 1990s reforms that introduced series of liberalisation, privatisation and globalisation reforms. Our major exports now include manufacturing goods such as Engineering Goods, Petroleum Products, Chemicals and related products, Gems and Jewelleries, Textiles and electronic products etc. which constitute over 70% of the export basket. This study that focussed on past two decades showed that the dominance pattern is top-heavy. Over the years starting from independence till pre reform period the concentration pattern in terms of both products and destinations have reduced but still the overall pattern has been still concentrated. Petroleum products are at the top. India is required to make its products more competitive at the world level and enter negotiations that could diversify India’s exports to potential goods and destinations. Destinations like Middle East, Southeast Asia, South Asia and Latin America are the regions that holds high untapped potential export value from India if yielded appropriately. Entering trade pacts with the countries in these regions could be big step towards formalisation of reciprocal trade strategies. There is also need to add new commodities and services at competitive price in the export basket for increasing export performance. Commodities groups like motorcycles, rice, textile and machinery are few of the highest potential category of goods in which India should provide greater impetus. Policy support in this direction can result in multiplier and accelerator impact to various sectors of Indian economy. For instance, policy support to agricultural allied products category will not only benefit farmers in terms of better finance and input facilities but also yield higher incomes for them in long term. Apart from this strengthening of forwards and backward linkages of this category like integration of supply chain and logistics will benefit these sectors as well. For this, India needs a comprehensive policy measure and integrated efforts that are pragmatically executed so as to unleash desired targets.

According to NITI Ayog’s Three-Year Action Agenda 2017-2020, four developing countries that have transformed themselves successfully in past three decades, are South Korea, Taiwan, Singapore and China. In all of these four countries, one important factor had been expansion of their export income, which resulted diversification of their traditional export basket composition. Thus, given the large merchandise market in the world, Indian exports still have great opportunities at its doorstep to take hold on. Thus, Indian exports must compete against the best in the world and therefore must constantly upgrade technology, management and product quality so as to remain as one of the top consistent exporters in world market.

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