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AN ASSESSMENT OF STRUCTURAL CHANGES IN THE DIRECTION OF INDIA'S IMPORT DURING POST-ECONOMIC REFORM PERIOD

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ABSTRACT

The main purpose of the paper is to analyze the structural changes in India's direction of import during new trade policy since 1991 within the framework of WTO. The period of study is 1987:88 – 2014:15. The paper used the dominance pattern, ranking technique, mobility and turnover, concentration ratio and growth rate technique as research methodology for analysis of the paper. The paper found that USA has been at the top in exporting of goods and services to India.. Top five countries are exporting to India more than one-half of India's import. Saudi Arabia and China are Asian Countries in top five countries. China and Russia within BRICS grouping are exporting around 10 percent to India. India's import from SAARC countries is almost negligible. However, world level concentration ratio of India import direction is low. Growth rate of concentration ratio is low, negative and statistically significant. This is favourable for India because this may be possible because India deliberately simplifying her import procedures and adding new trading partners for import at competitive price. In general, USA is top exporting country to India. India needs to diversify her import direction on bilateral basis from SAARC and other Asian, African and South American counties. This will lead to increase India absorption capacity of global shock and recession such as global financial crisis in 2008 and reduce dependence on few developed countries.

KEYWORDS: New Trade Policy, Import Direction, Dominance, Concentration, Mobility and Turnover.

INTRODUCTION

The process of globalization has got momentum through the process of economic integration, and in the expansion of the volume of International Trade. India has been a relatively new comer to the process of expansion of international trade since its opening up to world trade only began after the crisis in 1991. The opening up to international trade should be seen as a crucial aspect of the new approach to economic Policy and as an integral part of the process of reforms. In 1991, the government introduced some changes in its Policy on trade, foreign Investment, Tariffs and Taxes under the name of 'New Economic Reforms'. The economic reforms process introduced since 1991 with focus on liberalization, openness, transparency and globalization has enabled increased

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integration of the Indian economy with the rest of world. The composition and direction of India's foreign trade has undergone substantial changes, particularly, after the liberalization and globalization within framework of world trade organisation (WTO). The Indian economy has been undergoing substantial changes since 1991. Reform efforts have been continual and strong since 1991, with significant changes occurring in 1993 (Dean, Desai and Riedel, 1994). 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 (Dutta, 1998). Structural changes were also revealed by the data on sources of India’s imports. Broadly there was a sharp increase in the relative share of the Developing Countries while the share of the industrialized countries declined. This was largely on account of the increase in the imports from Asia and Oceania. Between the two periods, the relative shares of the countries belonging to the OPEC group also increased. This was mainly due to the surge in the oil import bill on account of higher prices. The share of OECD as a group in India’s imports dropped considerably during the post-reform period. Within this group the relative shares of all important regions and the USA declined during the post-reform period compared to the pre-reform period. The main purpose of this paper is to study the structural changes in India’s import source and direction during post reform period.

Objective of the study:

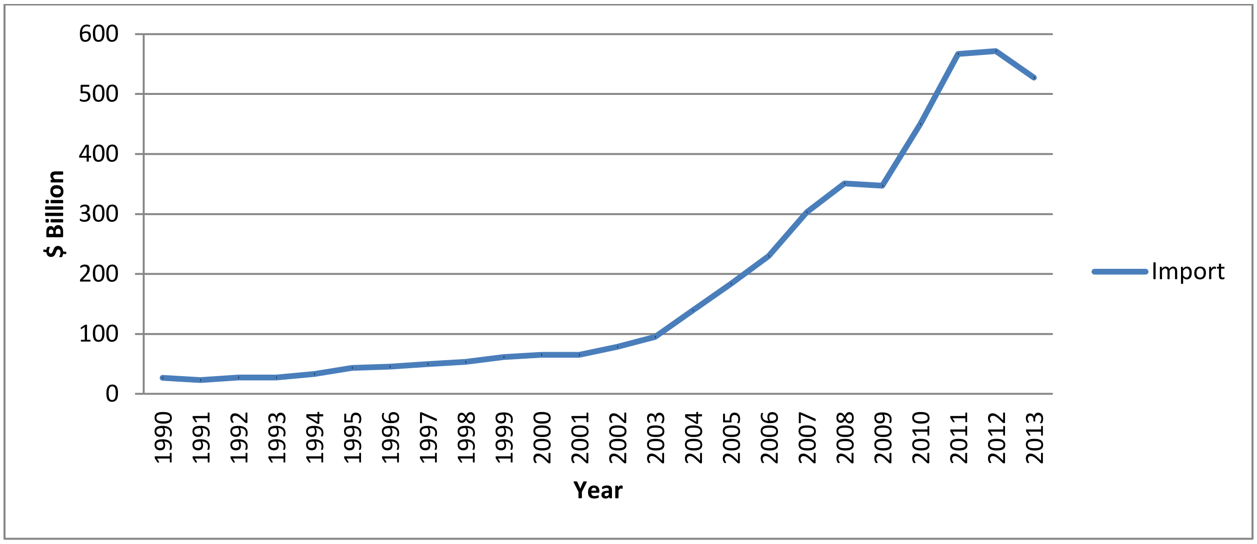
- To study structural changes in direction of India’s import of goods and services during post economic reform period.
- Hypotheses:
- There is no change in direction of India’s import during post economic reform period.

The hypothesis is tested with the help of an elaborate methodology laid out in section 4.

EXPORT-IMPORT POLICY OF INDIA

Bhat (2011) the major program of economic reform and liberalization was introduced in 1991 with emphasis on external sector. The new trade policy reversed the direction followed for decades. The tariff protection reduced, relaxed and simplified the restrictive import licensing regime. Import licensing was totally abolished with respect to imports of most machinery, equipment and manufactured intermediate products. Internal reforms included reduced control over locational restrictions and industrial licensing. In some sectors controls were reduced on administrative prices. The policy focus was primarily on liberalization of capital goods and inputs for industry, to encourage domestic and export-oriented growth. However, imports of consumer goods remained regulated. This new EXIM policy is essentially a roadmap for developing international trade. However, this may be modified from time to time to meet the changing dynamics of foreign trade.

Figure 1: Trends of India’s import of goods and services



Source: Author's Estimation

India has been following a consistent policy for gradual removal of import restrictions since 1991, when the economic reforms were initiated. India began removing BoP related Quantitative Restrictions (QRs) unilaterally since 1996. With this progressive removal of QRs maintained on BoP considerations, restrictions, still in force only relate to those items as permissible under Articles XX and XXI of the GATT on grounds such as security, health, safety, or moral conduct. While removing QRs, the Government has taken several safeguard measures in order to guard against any surge in imports on account of dumping. The removals of quantitative restrictions lead to manifolds increase in India’s import. This is evident from Figure 1 showing growth rate of increase in import has been much higher during 2002-2013 than during 1990-2001.

REVIEW OF LITERATURE

Sabnavis and Subramanian (2013) found that imports have registered shifts in country-sources as well as commodity basket. From a geographically-dispersed country-source profile, imports sources are now concentrated in the Asia region itself. Sabnavis and Subramanian (2016) stated that 52% of the total imports of India are sourced from Asian countries while 17% of imports are from Europe and 11% share in the imports is accounted by America. The major top 10 importing countries of India exhibited negative growth in the accounted year. China has the largest share of 16.21% share in imports, however, indicated a decline in the growth by 5.29%. The imports from Saudi Arabia, the major oil seller to India, have fallen by 11.11%. Bhat (2011) estimated that the share of the OECD countries in total imports was 78 per cent in 1960-61 and declined steeply to 45.7 per cent in 1980-81. It increased again in 1990-91 with expansion of EU to 12 members, including UK, however, the share declined to 38.5 per cent in 2007-08. Now, the EU share has declined to 18.5 per cent in 2010-11. Similarly, the US Share also dipped to nearly 11 per cent in the same year. The import share of Belgium, Germany and U.K. fell continuously with some aberrations and that of France and the Netherlands increased marginally. Imports from Saudi Arabia, Iran, United Arab Emirates, Nigeria, Indonesia, Malaysia and Kuwait also increased due to purchase of crude oil from these sources towards the end of 2007-08. The most striking fact is that the import share of China increased rapidly from 2000-01. The import share of Italy, Switzerland, Singapore and South Africa also registered rise. Diversification of imports was mainly due imports of raw materials, capital goods for modernization and expansion of industries. The ‘look East policy’ of the government has yielded some positive results. Mishra, Jena and Shil (2011) found that direction of India's imports has changed remarkably over the years. They show the changes in direction of India’s imports. The paper examined the direction of import in 5 blocks. The share of OECD is increased while the share declined European Union, USA and Japan. On the other hand, our imports from developing countries rose to 31.3 percent in 2006-07. Asia alone accounted for 24.8 percent in 2006-07. But, imports from SAARC region were barely 1 percent. It may be noted that China including Hong-Kong has emerged in 2006-07 as India's highest trading partner overtaking countries like USA, Saudi Arabia and Germany. OPEC block's contribution to our imports also increased to 29.4 percent in 2006-07. This is mainly due to the increase in international price of oil and also the growing demand of same in India. Among OPEC countries, South Arabia is the largest contributor to the India's imports followed by UAE and Iran. In the context of Eastern Europe, specifically Russia which occupied a very significant position in our foreign trade in the seventies has lost considerably i.e. its share in our imports has come down to mere 1.1 percent in 2006-07. This happened particularly after the disintegration of USSR and the establishment of Common Wealth of Independent States (CIS) in 1992-93. In the recent years India has been able to expand its imports trade with the countries viz. Africa, Australia, Switzerland etc.

The existing literature considered direction of India’s import as a part of the study of composition and direction of foreign trade. There is a few existing literature which focused on detailed and comprehensive ways to study on the structural changes in direction of India’s import of goods and services. This literature gap is main motivation for the study of this paper. There has been a considerable change in direction of import of goods and services since integration of Indian economy with the world under new trade policy 1991. This paper is focusing on the changes in India’s import direction of goods and services under shift of foreign trade policy from ‘*import-substitution*’ to ‘*export-promotion*’ strategy. This paper will help to fill the existing literature gap and contribute to existing literature on comprehensive and detailed dynamics of direction goods and services of India's import during post reform period.

RESEARCH METHODOLOGY

Data: the study uses secondary data published by Reserve Bank of India (RBI) (www.rbi.org.in) on composition of India's import of goods and services. The period of study is 1987-88 – 2014-15.

Dominance Patterns

Dynamic changes in the pattern of outward FDI would result in changing ranks of different countries in terms of the outflows and outward stocks. This represents a state of competition amongst different countries. It is normally not possible for any single country to dominate FDI outward investment pattern for whole period 1990 to 2009. Even if a country is not at top in one or more years it should be possible to capture the dominating country. It is interesting to know whether there is any dominant country or a constant flux in the ranking of different countries. We have studied dominance in three ways:

1. The rankings patterns at three points of time, which is a discrete measure of dominance.
2. Index of Rank Dominance (IRD) which is a relative dominance measure by ranks, (Murthy, 2011). This is measure of continuous dominance.
3. Bodenhorn's measure of competition.

The index of rank dominance (IRD) is an innovative measure which tells us a coefficient that expresses the degree of dominance of an ordinal measure such as rank. IRD has further refined as a relative- Relative Index of Rank Dominance (RIRD), which measures dominance in a relative sense. This gives the proportionate weight of the rank dominance index.

Index of Rank Dominance

Amongst the top twenty countries respectively which of the country's has the dominant position (i.e. highest rank) for the longest period is estimated with the help of index of rank dominance (Murthy, 2011).

$$I_{RD} = \frac{\sum_{i=1990}^{2009} (Rank\ Score)_i}{Maximum\ Rank\ Score\ X\ No.of\ Years}$$

$\boldsymbol{I_{RD}}$ = is the index of Rank Dominance.

Rank Score = 20, 19, 18... (In decreasing order of rank).

There are four properties of this new index:

1. The value of $\boldsymbol{I_{RD}}$ lies between 0 and 1, that is

   $0 < \boldsymbol{I_{RD}} \leq \mathbf{1}$

   $\boldsymbol{I_{RD}}$ measures in relative terms the position of the most dominant centre over period from 1990 to 2009 for attracting FDI. The value of $\boldsymbol{I_{RD}}$ lies between zero and one but never become zero because in this index, countries included must be at least one time be placed in the top twenty positions over the period 1990 to 2009. The maximum value of $\boldsymbol{I_{RD}}$ shall be one provided a country has been at top position in all years from 1990 to 2009 in attracting FDI.

2. IRD is a measure of continuous dominance.

3. RIRD enables measuring the relative continuous dominance.

4. IRD is a measure that applies to panel data. That is it measures the dominance and amongst ‘N’ countries over a time periods of ‘T’ years.

Mobility and Turnover

This is as a sum of rank changes among the top FDI home countries. Mobility is a churning in rank position of the leading FDI donor counties. It means changes in rank position within leading countries. The measure of turnover as the number of countries below the leading FDI home countries replace the countries belonging to the leading FDI home countries. In mobility and turnover the changes in rank of current year are with respect to previous year. This measures the competition among FDI home countries in order to exploit the factors of production in recipient countries. This mobility and turnover are based on Bodenhorn, et al. (1990). Measure of mobility and turnover over the periods 1990 to 2009 are calculated and the significance of their difference are tested. This is done with a view to understand whether dominance pattern of FDI outflows has changed, Murthy and Deb (2008).

Herfindahl-Hirschman Index of Concentration

Herfindahl-Hirschman Index (HHI) is a commonly accepted measure of market concentration. It is calculated by squaring the market share of each FDI recipient country in a market, and then summing the resulting number (Bhanu Murthy and Deb, 2008). The HHI is expressed as:

$$HHI = \sum_{i=1}^{N} S_i^2$$

Where ‘Si’ is the market share of FDI recipient country i in the market and ‘N’ is the number of counties. This index is range from 1/N to one, where ‘N’ is the number of countries.

A HHI index below 0.01 indicates a highly competitive.

A HHI index below 0.1 indicates not concentrated.

A HHI index between 0.1 to 0.18 indicates low concentration.

A HHI index above 0.18 to 0.30 indicates moderate concentration.

A HHI index above 0.30 indicates high concentration.

In absolute terms, we have already seen that concentration of FDI inflow and stock has been consistently declined over periods. Due to globalisation and global competitive environment, global productive resources are redistributed on the basis of efficiency. This leads to optimum utilisation of resources.

EMPIRICAL RESULTS AND ANALYSIS

India’s Import from World

India’s direction of foreign trade has been exhibited a structural shift during the last more than two decades. Trade volume and trade share of emerging and developing economies has increased while the share of conventional trading partners has showed a declining trend (PHD Chamber, 2014). Dominance pattern explains the dynamics of change in direction of India’s import during new foreign trade police since 1991. USA is an important trading partner of India and at top position. India’s import from USA has been significantly increased in terms of volume and value. India is importing more than 16 percent from USA. Top five countries, USA, Germany, Saudi Arabia, Belgium and China, are accounted for more than one-half of India’s import. Saudi Arabia and China are Asian Countries in top five and accounted for more than 18 percent of India’s import. Top ten countries are accounted for around 88 percent of India import. Out of these top ten countries, five countries are Asian countries and accounted for more than 36 percent of India total import. This result indicates major shift of India’s trading strategy towards Asia. However, India’s import dominance pattern is top-heavy. However, India import from BRICS countries is only to China and Russia and accounted for around 10 percent of import. India import from SAARC countries is almost zero (Table 1). India needs to diversify trading direction of import more intensively and extensively. This will lead to increase and diversify India foreign trade and also help to reduce dependence on developed countries such as USA, UK etc. This will also to absorb global shock and recession such as global financial crisis in 2008.

Table 1: Rank dominance of India import from world during 1987-1988 – 2013-14

Country	Presence	Score	IRD	RIRD
U.S.A	27	239	0.885	0.161
Germany	27	160	0.593	0.108
Saudi Arabia	21	143	0.530	0.096
Belgium	19	130	0.481	0.088
China	14	126	0.467	0.085
Switzerland	18	120	0.444	0.081
U.A.E.	23	117	0.433	0.079
U.K.	18	111	0.411	0.075
Japan	19	107	0.396	0.072
Kuwait	16	50	0.185	0.034
Australia	17	45	0.167	0.030
Iran	5	25	0.093	0.017
Russia	5	22	0.081	0.015
South Korea	10	20	0.074	0.013
Singapore	10	17	0.063	0.011
Iraq	4	16	0.059	0.011
Malaysia	6	14	0.052	0.009
France	5	12	0.044	0.008
Indonesia	4	10	0.037	0.007
Italy	1	1	0.004	0.001
Total			5.5	1

Source: Author's Estimation

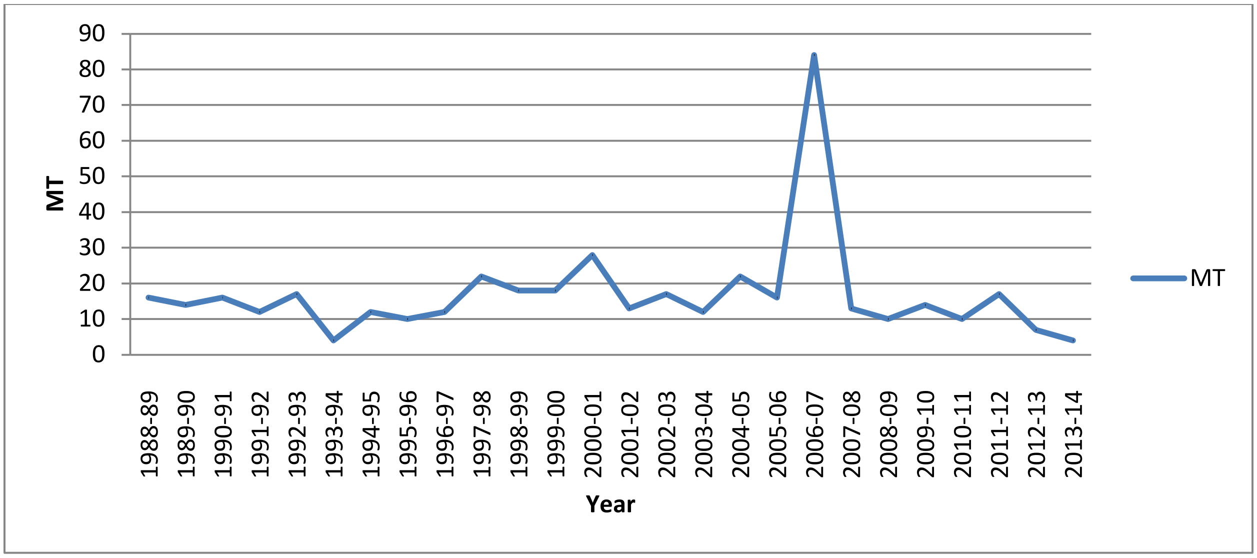
Mobility and turnover is a method of measuring the structural changes in direction of India import. This indicates changes in direction of India import from one country to another country during particular year. If the magnitude of mobility and turnover is low, then there are a few changes in direction of India import and vice-versa. Table 2 shows the change in ranks of India's import to the countries in a particular year with respect to the corresponding previous year. The maximum mobility and turnover is 84 in year 2006-07 while minimum is 4 in year 1993-94 and 2013-14. Overall mobility and turnover is 16.8 per annum on an average basis except unexpected change in 2006-07. This may be because of India has taken a number of initiatives to add new trading partners and other measures of removing tariff and non-tariff barriers since 1991. Line graph clearly indicates that there is no stable pattern of change in direction of import. It is more fluctuating one (Figure 2). Growth rate of mobility and turnover is negative and low but not statistically significant (Table 3). India needs to diversify its import direction so that India can import its requirements of capital goods and technology at competitive global price.

Table 2: Mobility and turnover of India’s import: world

Year	Mobility &Turnover
1988-89	16
1989-90	14
1990-91	16
1991-92	12
1992-93	17
1993-94	**4**
1994-95	12
1995-96	10
1996-97	12
1997-98	22
1998-99	18
1999-00	18
2000-01	28
2001-02	13
2002-03	17
2003-04	12
2004-05	22
2005-06	16
2006-07	**84**
2007-08	13
2008-09	10
2009-10	14
2010-11	10
2011-12	17
2012-13	7
2013-14	**4**
Average	16.8

Source: Author's Estimation

Figure 2: Mobility and turnover of India's import from world



Source: Author's Estimation

Table 3: Growth Rate of mobility and turnover of world

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	15.133	30.947	0.489	0.629
Year	-0.006	0.015	-0.404	0.690

Table 4: Herfindal's Index of concentration of India import: world level

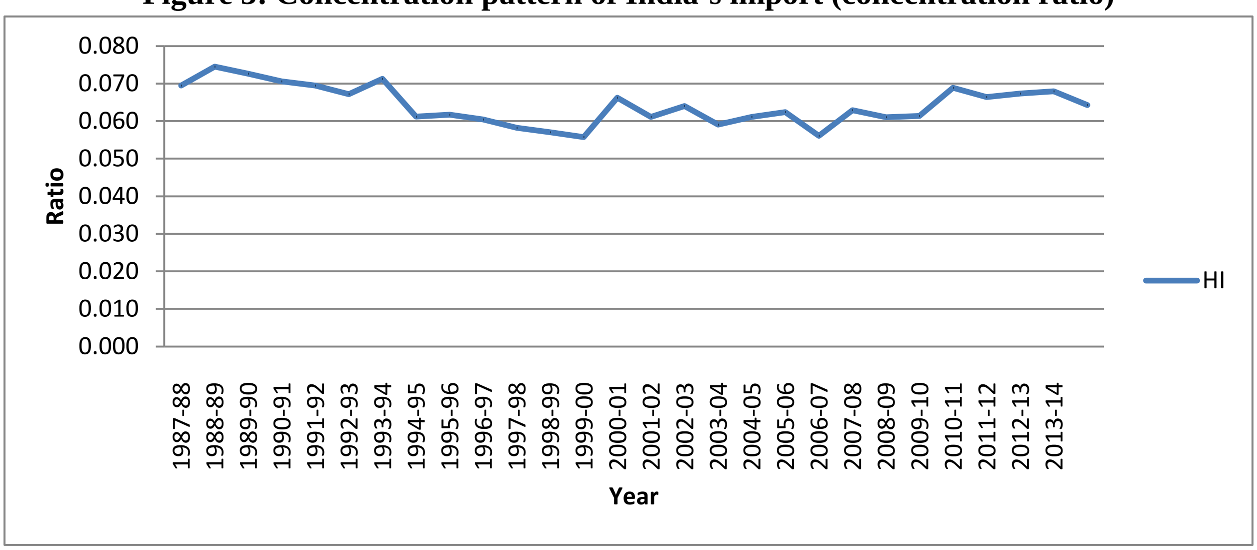
Year	HI
1987-88	0.069
1988-89	**0.074**
1989-90	0.073
1990-91	0.071
1991-92	0.070
1992-93	0.067
1993-94	0.071
1994-95	0.061
1995-96	0.062
1996-97	0.060
1997-98	0.058
1998-99	0.057
1999-00	**0.056**
2000-01	0.066
2001-02	0.061
2002-03	0.064

2003-04	0.059
2004-05	0.061
2005-06	0.062
2006-07	**0.056**
2007-08	0.063
2008-09	0.061
2009-10	0.061
2010-11	0.069
2011-12	0.066
2012-13	0.067
2013-14	0.068
Average	0.064

Source: Author's Estimation

Herfindal’s concentration ratio helps to judge whether India’s import direction has been diversified or not. If concentration ratio declines, then it indicates India has diversified its trading partners for import and vice-versa. The maximum value of Herfindal’s Index is 0.74 in 1988-89 while minimum is 0.056 in 1999-00 and 2006-07. Average value of concentration ratio is 0.064. So, world concentration ratio of India import direction is low (Table 4 and figure 3). The declining trends of concentration ratio of direction of import have been indicating about structural change in import pattern of India. The annual compound growth rate of concentration ratio of direction is negative and statistically significant at 10 percent level of significance but value is low (Table 5). It means the concentration of direction of India import has been declining during last more than two decades. This indicates that India has been continuously simplifying its import procedures and looking for new trading partners for import at competitive price.

Figure 3: Concentration pattern of India’s import (concentration ratio)



Source: Author's Estimation

Table 5: Growth rate (ACGR) of India import for world hi concentration ratio

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	4.089	3.8580	1.0391	0.3087
Year	-0.0034	0.0019	-1.7514	0.0921

Source: Author's Estimation

India Import from Developed Countries

UK used to hold the first position in India’s foreign trade. However, after Independence, new trade relationships were established. Now USA has emerged as the most important trading partner followed by Germany, Switzerland, Belgium and Japan. India is also making consistent efforts to diversify its imports from other countries. Within developed countries grouping, USA is at top position and accounted for around one-third of India’s import. While top five counties are accounted for more 86 percent of India’s import. Japan is only Asian country present in developed counties grouping and accounted for more than 9 percent. Japan is considered as a most trusted foreign trading partner of India (Table 6).

Table 6: Rank dominance of developed countries in India’s import during 1987-88:2013-14

Year	Presence	Score	IRD	RIRD
U.S.A	27	127	0.941	0.314
Germany	23	71	0.526	0.175
Switzerland	17	62	0.459	0.153
Belgium	20	51	0.378	0.126
Japan	21	38	0.281	0.094
U.K.	17	37	0.274	0.091
Australia	10	19	0.141	0.047
			3	1

Source: Author's Estimation

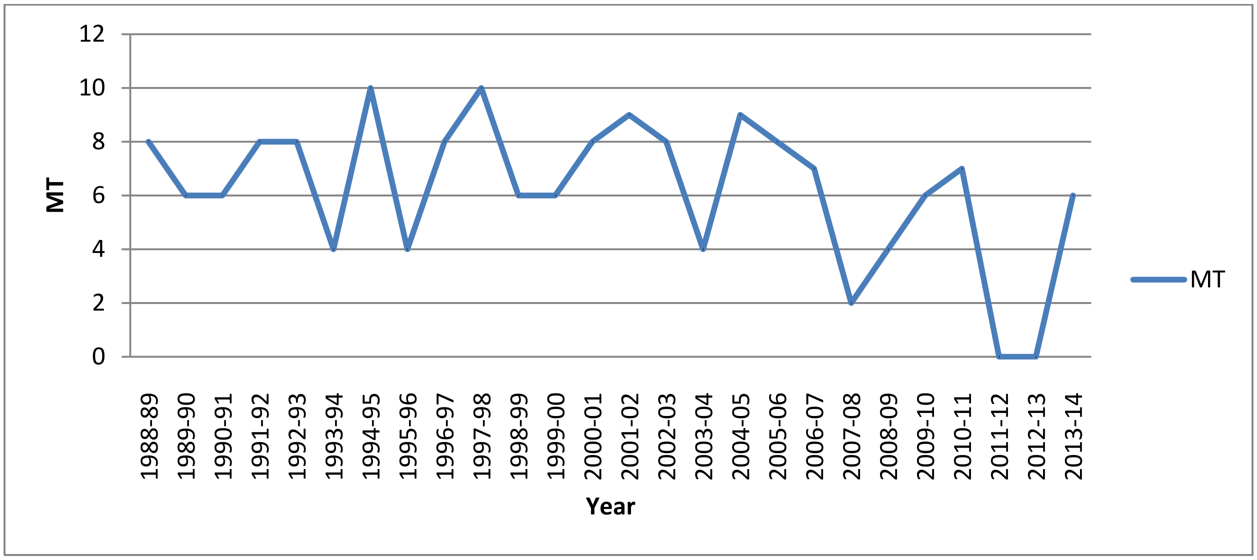
Since, dominance pattern of developed countries grouping is top-heavy and India’s import is dominated by a few developed countries during new trade regime. Then, the expected chance of mobility and turnover of India’s import is low. Table 7 shows the change in ranks of India’s import from developed countries in a particular year with respect to the corresponding previous year. The maximum mobility and turnover is 10 in year 1994-95 and 1997-98 and minimum is zero in year 2011-12 and 2012-13. Overall mobility and turnover is 6.2 per annum on an average basis. India needs to modify its trading strategy, so that diversify India’s import by entering into bilateral trade agreement with other developed countries. Figure 3 clearly shows that mobility and turnover is not stable but changing and fluctuating.

Table 7: Mobility and turnover of India's import from developed countries

Year	Mobility and Turnover
1988-89	8
1989-90	6
1990-91	6
1991-92	8
1992-93	8
1993-94	4
1994-95	**10**
1995-96	4
1996-97	8
1997-98	**10**
1998-99	6
1999-00	6
2000-01	8
2001-02	9
2002-03	8
2003-04	4
2004-05	9
2005-06	8
2006-07	7
2007-08	2
2008-09	4
2009-10	6
2010-11	7
2011-12	**0**
2012-13	**0**
2013-14	6
Average	6.2

Source: Author's Estimation

Figure 4: Mobility and turnover of India's import from developed countries



Source: Author's Estimation

The annual compound growth rate of concentration ratio of direction is more than 15 percent, negative and statistically significant at 5 percent level of significance (Table 8). It means the concentration of direction of India import has been declining during last more than two decades. This indicates that India has been continuously simplifying its import procedures and diversifying its import from new trading partners at competitive price.

Table 8: Growth rate of mobility and turnover of developed countries during 1988-89:2013-14

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	312.632	130.038	2.404	0.024
Year	-0.153	0.065	-2.356	0.027

Source: Author's Estimation

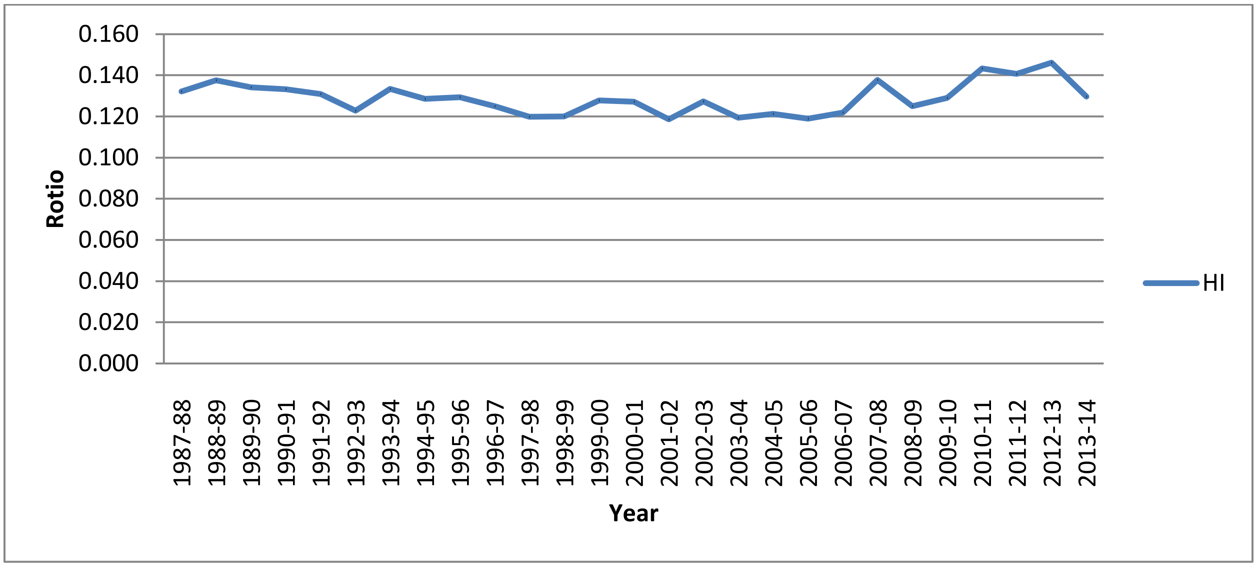
India's import should be well diversified among developed counties, so that India can make bilateral trade bargaining for its import. However, table 9 reveals that concentration ratio of India's import is low. This implies that India's import direction is slowly diversifying among developed countries. The maximum value of Herfindal's Index is 0.146 in 2012-13 while minimum is 0.119 in 2001-02. Average value of concentration ratio is 0.129. However, the concentration ratio having more or less stable trends (Table 9 and figure 5). The growth rate of concentration ratio is positive and low but not statistically significant (Table 10).

Table 9: Herfindal's Index of concentration of India import: developed countries

Year	HI
1987-88	0.132
1988-89	0.137
1989-90	0.134
1990-91	0.133
1991-92	0.131
1992-93	0.123
1993-94	0.133
1994-95	0.129
1995-96	0.129
1996-97	0.125
1997-98	0.120
1998-99	0.120
1999-00	0.128
2000-01	0.127
2001-02	**0.119**
2002-03	0.127
2003-04	0.119
2004-05	0.121
2005-06	0.119
2006-07	0.122
2007-08	0.138
2008-09	0.125
2009-10	0.129
2010-11	0.143
2011-12	0.141
2012-13	**0.146**
2013-14	0.130
Average	0.129

Source: Author's Estimation

Figure 5: Concentration Ratio of India's Import from Developed Countries (Concentration Ratio)



Source: Author's Estimation

Table 10: Growth Rate of Concentration Ratio of Developed Countries

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-3.449	2.937	-1.174	0.251
Year	0.001	0.001	0.476	0.638

Source: Author's Estimation

India's Import from Developing Country

India has been making consistent effort to diversify its import from developing countries particularly Asian countries on bilateral basis. UAE has emerged as the most important trading partner followed by Saudi Arabia, China, Singapore and South Korea. Within developing countries grouping, UAE is at top position and accounted for more than 14 percent of India's import. While top five counties are accounted for more than 58 percent of India's import. No SAARC country is within top five developing counties grouping. China is only BRICS country among developing countries and accounted for more than 11 percent of India's import from developing countries (Table 11). India has been insignificant import from South American developing countries and African developing and under-developed countries. India needs to explore to new trading countries from African and South American counties on bilateral basis. This will lead to increase India shock absorption capacity and reduce dependence on developed countries.

Table 11: Rank dominance of developing countries in India import during 1987-88:2013-14

Country	Presence	Score	IRD	RIRD
U.A.E.	27	213	0.789	0.143
Saudi Arabia	27	207	0.767	0.139
China	22	172	0.637	0.116
Singapore	24	145	0.537	0.098
South Korea	27	138	0.511	0.093
Kuwait	21	132	0.489	0.089
Malaysia	26	127	0.470	0.086
Iran	20	85	0.315	0.057
Russia	18	83	0.307	0.056
Indonesia	20	78	0.289	0.053
Iraq	12	52	0.193	0.035
Hong Kong	16	41	0.152	0.028
Thailand	7	9	0.033	0.006
Pakistan	2	2	0.007	0.001
Zambia	1	1	0.004	0.001
Total			5.5	1

Source: Author's Estimation

Table 12 shows the change in ranks of India's export to developing countries in a particular year with respect to the corresponding previous year. The maximum mobility and turnover is 58 in year 2006-07 and minimum is 2 in year 2007-08 and 2013-14. Overall mobility and turnover is 12 per annum on an average basis. However, India's Import from developing countries has been fluctuating and consequently mobility and turnover also fluctuating (Figure 6). India needs to modify its trading strategy, so that India's import from developing countries can be increased on bilateral basis because India has strong bargaining position with developing countries. Growth rate is low, negative and significant at 10 percent level of significance (Table13).

Table 12: Mobility and turnover of developing country in India's import

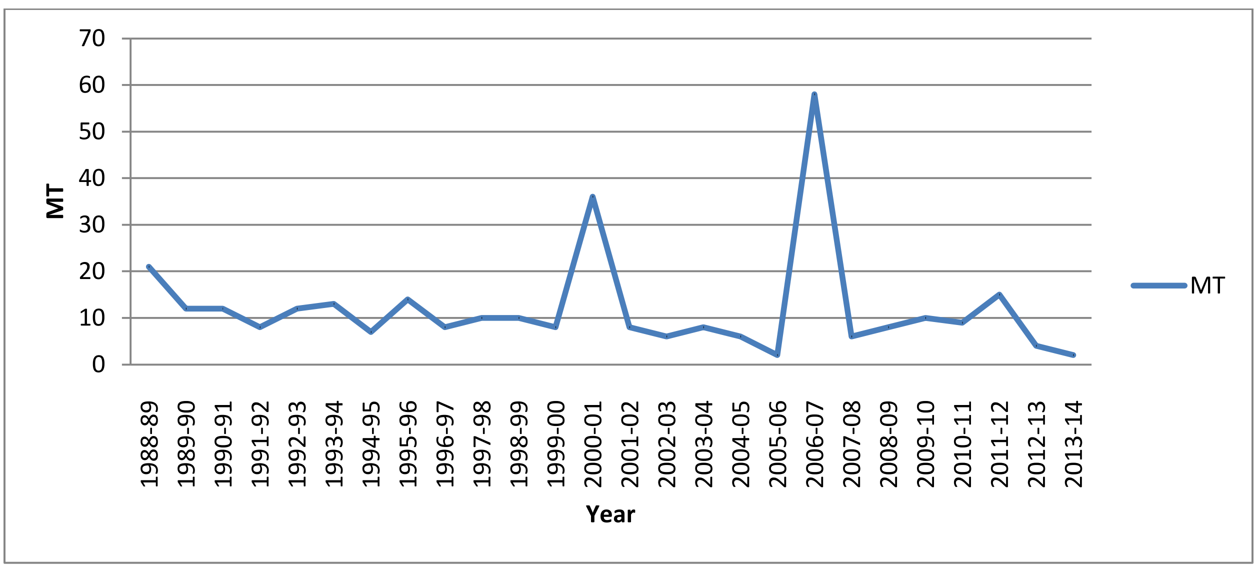
Year	Mobility & Turnover
1988-89	21
1989-90	12
1990-91	12
1991-92	8
1992-93	12
1993-94	13

Continued…

1994-95	7
1995-96	14
1996-97	8
1997-98	10
1998-99	10
1999-00	8
2000-01	36
2001-02	8
2002-03	6
2003-04	8
2004-05	6
2005-06	**2**
2006-07	**58**
2007-08	6
2008-09	8
2009-10	10
2010-11	9
2011-12	15
2012-13	4
2013-14	**2**
Average	12

Source: Author's Estimation

Figure 6: Mobility and turnover of India's import from developing countries



Source: Author's Estimation

Table 13: Growth rate of mobility and turnover

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	66.110	35.895	1.842	0.078
Year	-0.032	0.018	-1.780	0.088

Source: Author's Estimation

India's import should be well diversified among developing countries on bilateral basis within the framework of world trade organization (WTO). However, concentration of India's import has moderately low concentration. The maximum value of Herfindal's Index is 0.136 in 1991-92 while minimum is 0.089 in 1998-99. Average value of concentration ratio is 0.112. So, the concentration ratio of India's import is low. In general the concentration ratio is fluctuating during the study period, but declining in long-run (Table 14 and Figure 7). The declining trend of concentration ratio implies India's import is diversifying among developing countries. This can be supplemented and complemented to the dominance pattern of India's import from developing countries. The growth rate of concentration ratio is low, negative but not significant (Table 15).

Table 14: Herfindal's concentration ratio of developing countries in India's import

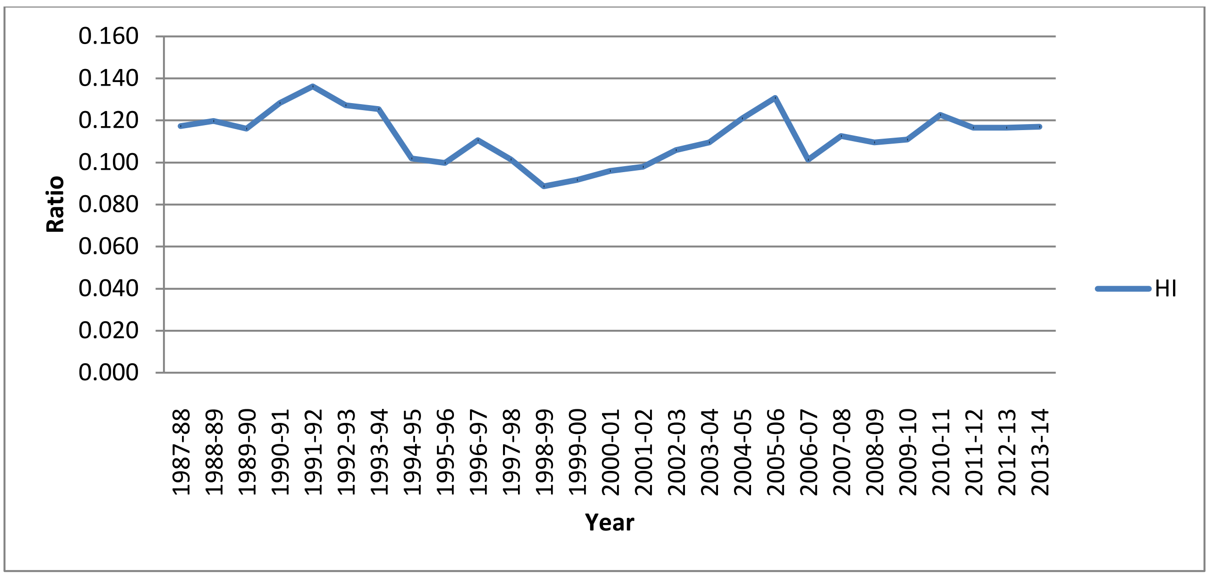
Year	HI
1987-88	0.117
1988-89	0.120
1989-90	0.116
1990-91	0.128
1991-92	**0.136**
1992-93	0.127
1993-94	0.125
1994-95	0.102
1995-96	0.100
1996-97	0.111
1997-98	0.101
1998-99	**0.089**
1999-00	0.092
2000-01	0.096
2001-02	0.098
2002-03	0.106
2003-04	0.110
2004-05	0.121

Continued…

2005-06	0.131
2006-07	0.101
2007-08	0.113
2008-09	0.109
2009-10	0.111
2010-11	0.123
2011-12	0.116
2012-13	0.117
2013-14	0.117
Average	0.112

Source: Author's Estimation

Figure 7: Concentration Pattern of India's Import from Developing Countries (Concentration Ratio)



Source: Author's Estimation

Table 15: Growth Rate of Concentration Ratio of Developing Countries

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	0.580	5.553	0.104	0.918
Year	-0.001	0.003	-0.499	0.622

Source: Author's Estimation

CONCLUSION AND POLICY IMPLICATION

The basic thrust of new trade regime has been on globalization of the Indian economy, improving its competitiveness and expansion of exports to ease pressure on balance of payments (Mishra, Jena and Shil, 2011). This leads to dynamic changes in the direction of India import within three grouping of the countries.

In case of world level, USA has been at the top in exporting of goods and services, which is more 16 percent of India import. Top five countries are exporting to India more than one-half of India's import. Saudi Arabia and China are Asian Countries in top five countries. China and Russia within BRICS grouping are exporting around 10 percent to India. India import from SAARC countries is almost negligible. However, world level concentration ratio of India import direction is low. Growth rate of concentration ratio is low, negative and statistically significant. This is favourable for India because this may be possible because India deliberately simplifying her import procedures and adding new trading partners for import at competitive price. In case of developed countries, USA has emerged as the most important trading partner followed by Germany, Switzerland, Belgium and Japan. Japan is only Asian country present in developed country grouping. Japan is considered as a most trusted foreign trading partner of India. Mobility and turnover is not stable but changing and fluctuating. The concentration ratio has been declining during last more than two decades. In case of developing countries, UAE has emerged as the most important trading partner followed by Saudi Arabia, China, Singapore and South Korea. No SAARC country is within top five developing counties grouping. China is only BRICS country among developing countries. India's Import from developing countries has been fluctuating and consequently mobility and turnover also fluctuating. Concentration ratio of India's import has moderately low.

In general, USA is top exporting country to India. India needs to diversify her import direction on bilateral basis from SAARC and other Asian, African and South American counties. This will lead to increase India absorption capacity of global shock and recession such as global financial crisis in 2008 and reduce dependence on few developed countries.

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