

## **Impact of Import Intensity on Exports, Output and Employment during Post-Liberalisation Period**

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*The paper examines the trends and patterns of import intensity in the Indian economy and manufacturing sector during 1990s and beyond. It reviews past studies on import intensity based on different data bases and alternative methodologies. Import intensity of India's exports increased steadily from 10.54 per cent in 1993-1994 to 15.9 per cent a decade later in 2003-2004. In 2006-2007, import intensity of exports rose sharply to 28.4 per cent before dropping off to 18.72 per cent in 2007-2008. The steep rise in import intensity between 2003-2004 and 2006-2007 mirrored an 89 per cent jump in import intensity of manufacturing exports which fell to 29.63 per cent in 2007-2008. Fall in industrial production led to decline in the demand for intermediate inputs. This reduced the import intensity effectively. Changing levels of import intensity have implications for the growth of output, employment and exports. Therefore, import liberalization measures need to be implemented and sequenced with caution to get the desired result.*

### **I Introduction**

Indian economy has witnessed gradual and wide-ranging reforms for the last one and a half decades. Its major component is the opening up of the external sector. Both the commodity market and financial sector have been opened to a large extent. Policies of import liberalisation, export promotion and attracting foreign investment are major ingredients of the opening up of external sector. These reform processes are now being tuned with the present multilateral trade and investment regime.

UNCTAD took a critical view of this export-led growth strategy. Its *Report on Trade and Development, 2002*, observes that between 1970 and 1999, there was an increase in trade by the developing countries. The merchandise exports of developing countries grew at an average annual rate of 12 per cent, compared with 10 per cent for the world as a whole. However, for all developing countries, imports expanded faster than exports, resulting in deterioration of trade balance. This trade expansion was not accompanied by faster growth in gross domestic product (GDP). The share of developing countries in world income (in dollars) declined from 27 per cent in 1980 to 23 per cent in 1999.

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