

An Emperical Study on India's Foreign Trade and Policy

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Abstract - India's nominal gross domestic product (GDP) at current prices is estimated at Rs. 232.2 trillion (US\$ 3.1 trillion) in 2021-22. India's trade and external sector had a significant impact on the GDP growth and expansion in per capita income. India's overall exports (Merchandise and Services combined) in April-March 2021-22 are estimated to be US\$ 669.7 billion, witnessing a growth of 34.5% over the same period last year and an increase of 27.2% over April to March 2019-20. India has been able to beat the overall export target of US\$ 650 billion despite the global economic slowdown caused by the Covid-19 pandemic and the recent geopolitical developments in Europe. As the pandemic receded, India witnessed a revival in domestic demand resulting in strong import growth. During the year 2021-22, India's overall imports (Merchandise and Services combined) are estimated to be US\$ 756.7 billion, growing 47.8% over the same period last year and 25.5% over the year 2019-20, crossing the pre-pandemic level. China, UAE, and the USA were the largest import sources for India.

Keyword - Market structure, Foreign trade policy, Performance, Export and Import.

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INTRODUCTION

India's nominal gross domestic product (GDP) at current prices is estimated at Rs. 232.2 trillion (US\$ 3.1 trillion) in 2021-22. India's trade and external sector had a significant impact on the GDP growth and expansion in per capita income. India's overall exports (Merchandise and Services combined) in April-March 2021-22 are estimated to be US\$ 669.7 billion, witnessing a growth of 34.5% over the same period last year and an increase of 27.2% over April to March 2019-20. India has been able to beat the overall export target of US\$ 650 billion despite the global economic slowdown caused by the Covid-19 pandemic and the recent geopolitical developments in Europe. The key reasons for stellar export performance are sharp recovery in key markets, increased consumer spending, accumulated savings and disposable income due to the announcement of fiscal stimulus by major economies, global commodity price rise, and an aggressive export push by the government. The United States of America (USA) remained the top export destination, followed by United Arab Emirates (UAE) and China. According to Minister for Commerce and Industry and Consumer Affairs and Food and Public Distribution and Textiles, Mr. Piyush Goyal, India is keen to increase its exports and provide more jobs for young, talented, and well-educated people as well as create opportunities for both semi-skilled and unskilled workers.

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OBJECTIVES OF THE STUDY

1. To study the overview of market structure in India
2. To understand the foreign trade policy of India.
3. To study the performance of export and import made by country during last period.

METHODOLOGY

The study is based on secondary data. The information is collected from various books, magazines and bullets from RBI and websites.

LIMITATION OF THE STUDY

The study is restricted to foreign trade carried by India during 2019 to 2021.1

MARKET OVERVIEW

The Indian economy has slowed due to factors related to the global COVID-19 pandemic. Nonetheless, bilateral U.S.-India trade in goods and services jumped from \$120.6 billion in 2020 to \$159.1 billion in 2021, signaling resilience in the commercial relationship between the United States and India. Moreover, after Indian GDP declined by 7.3 percent in 2020, the IMF estimated Indian GDP growth to achieve 9.0 percent in 2021. The Indian economy is projected to grow by 6.4 percent in 2022. India jumped three places to become the United States' ninth largest trading partner in 2021, with sales of U.S. goods and services valued at \$56.8 billion. The United States has remained India's largest trading partner, with exports of goods and services to the United States worth \$102.3 billion. The United States continues to have a trade deficit with India, which stood at -\$45.5 billion in 2021.

Indian-origin FDI into the United States was valued at \$12.7 billion in 2020, a slight decrease of \$179 million from the previous year. As of 2020, India's direct investment in the United States supported over 70,700 U.S. jobs. Indian FDI projects were clustered in the information technology services, software, business services, pharmaceuticals, and industrial equipment sectors. FDI from the United States into India was valued at \$41.9 billion in 2020.

A wide range of U.S. companies are active in the Indian market, across most sectors. However, the Indian government has promoted the concept of "self-reliance" as a means to develop and support Indian businesses and employment, which is making it more difficult for U.S. companies to sell their goods and services in India. This is particularly true for Indian government procurement when there are Indian-made options available. U.S. exporters are being pressured to start manufacturing their products locally to retain market access, particularly if similar goods are not already produced in India. As part of its self-reliance movement, India has introduced market access barriers in the form of tariffs, localization requirements, indigenous standards requirements and labelling practices, price controls, and import restrictions.

Despite these market access challenges, India continues to offer significant opportunities for U.S. companies and the potential to increase bilateral trade is enormous. Indian conglomerates and high technology companies are generally equal in sophistication and prominence to their international counterparts, and in certain industrial sectors – such as information technology, telecommunications, pharmaceuticals, textiles, and engineering – are globally recognized for their innovation and competitiveness. U.S. companies operating in India

emphasize that success requires a long-term planning horizon and a state-by-state strategy to adapt to the complexity and diversity of India's regional markets.

INDIA'S FOREIGN TRADE POLICY

The Department of Commerce has the mandate to make India a major player in global trade and assume a role of leadership in international trade organizations commensurate with India's growing importance. The Department devises commodity and country-specific strategy in the medium term and strategic plan/vision and India's Foreign Trade Policy in the long run.

India's Foreign Trade Policy (FTP) provides the basic framework of policy and strategy for promoting exports and trade. It is periodically reviewed to adapt to the changing domestic and international scenario.

The Department is also responsible for multilateral and bilateral commercial relations, special economic zones (SEZs), state trading, export promotion and trade facilitation, and development and regulation of certain export oriented industries and commodities.

The current Foreign Trade Policy (2015-20) focusses on improving India's market share in existing markets and products as well as exploring new products and new markets. India's Foreign Trade Policy also envisages helping exporters leverage benefits of GST, closely monitoring export performances, improving ease of trading across borders, increasing realization from India's agriculture-based exports and promoting exports from MSMEs and labour intensive sectors. The DoC has also sought to make states active partners in exports. As a consequence, state governments are now actively developing export strategies based on the strengths of their respective sectors.

While the external environment has a major role to play in the success of export policies, it is also critical to address constraints within India including infrastructure bottlenecks, high transaction costs, complex procedures, constraints in manufacturing and inadequate diversification in India's services exports. India is a signatory to the Trade Facilitation Agreement (TFA) at the WTO, which will contribute to the simplification and lowering of transaction costs.

According to current WTO rules as well as those under negotiation India needs to eventually phase out subsidies and move towards fundamental systemic measures in the future. Under the Agreement on Subsidies, India has moved on from Annex VII countries of WTO on breaching the US\$ 1,000 per capita income benchmark for 3 consecutive years in 2015.

The present Commerce & Industry Minister Shri Piyush Goyal has also asserted that India needs to evolve from a dependence on subsidies, "I do not

think that any programme or ambitious scheme can run only on subsidies and government help. We have to move out of this continuous effort and demand and make our industry truly competitive and self-reliant.”

The government is looking to focus on promoting exports of high value-added products, where India has a strong domestic manufacturing base, including engineering goods, electronics, drugs and pharmaceuticals, textiles and agriculture. This is apart from the continued push to AYUSH and the Indian services sector.

Around 70% of India’s exports constitute products that have just 30% share in global trade. The government is looking at some more promising product groups like defence equipment, medical devices, agro-processing, technical textiles and chemicals.

In 2018, then Commerce & Industry Minister Shri Suresh Prabhu envisaged a strategy to double India’s exports by 2025. The approach included devising a commodity-specific strategy for key sectors like gems and jewellery, leather, textile & apparel, engineering sector, electronics, chemicals and petrochemicals, pharma, agri and allied products and marine products. Territory specific strategy will cover North American Free Trade Agreement (NAFTA), Europe, North East Asia, ASEAN, South Asia, Latin America, Africa and WANA, Australia, New Zealand, and CIS.

Table 1: India's Exports of Principal Commodities

Marine products	Engineering Goods
Ores and Minerals	Electronic goods
Leather and Leather Manufactures	Textiles and handicrafts
Gems and Jewellery	Chemicals and Allied Products

Table 2: Top 10 Countries To Which India Exports The Most

USA	UNITED KINGDOM
UAE	NETHERLAND
CHINA PRP	GERMANY
HONGKONG	BANGLADESH
SINGAPOOR	NEPAL

Table 3: India's Imports Of Principal Commodities

Petroleum Crude	Electronic Components
Gold	Telecom Instruments
Petroleum Products	Organic Chemicals
Coal, Coke and Briquettes., etc	Industrial Machinery for Dairy etc.,
Pearl, Precious, Semi precious stones	Iron and Steel

Table 4: Challenges In India's Foreign Trade Promotion

.Less percentage of world trade	Change in the Composition of Imports
More Oceanic trade.	Direction of Foreign trade
Dependence on the few ports	Mounting Deficit in Balance of Trade
Increase in Volume and Value of trade	Trends towards Globalisation
Change in the composition of Exports.	Changing Role of Public Sector

INDIAS IMPORT AND EXPORT TRADE BETWEEN 2019 TO 2021

India’s overall exports (Merchandise and Services combined) in December 2021* are estimated to be USD 57.87 Billion, exhibiting a positive growth of 25.05 per cent over the same period last year and a positive growth of 23.35 per cent over December 2019. Overall imports in December 2021* are estimated to be USD 72.35 Billion, exhibiting a positive growth of 33.86 per cent over the same period last year and a positive growth of 40.30 per cent over December 2019

Table 5: Trade During December 2021*

		December 2021 USD Billions	December 2020 USD Billions	December 2019 USD Billions	Growth vis a vis December 2020 (.%)	Growth vis a vis December 2019 (.%)
Merchandise	Export	37.81	27.22	27.11	38.91	39.47
	Import	59.48	42.93	39.59	38.55	50.24
	Trade Balance	-21.68	-15.72	-12.49	-37.92	-73.61
Service	Export	20.07	19.06	19.81	5.26	1.29
	Import	12.87	11.12	11.98	15.76	7.44
	Net of Service	7.20	7.95	7.84	-9.42	-8.12
Over.all Trade	Export	57.87	46.28	46.92	25.05	23.35
	Import	72.35	54.05	51.57	33.86	40.30
	Trade Balance	-14.48	-7.77	-4.65	-86.32	-211.26

* Note: The latest data for services sector released by RBI is for November 2021. The data for December 2021 is estimation, which will be revised based on RBI’s subsequent release. (ii) Data for 2019, 2020 and April to September 2021 are revised

on pro-rata basis using quarterly balance of payments data.

India's overall exports (Merchandise and Services combined) in April-December 2021* are estimated to be USD 479.07 Billion, exhibiting a positive growth of 36.31 per cent over the same period last year and a positive growth of 20.25 per cent over April-December 2019. Overall imports in April-December 2021* are estimated to be USD 547.12 Billion, exhibiting a positive growth of 57.33 per cent over the same period last year and a positive growth of 18.57 per cent over April-December 2019.

Table 6: Trade During April-December 2021

		April to December 2021 USD Billions	April to December 2020 USD Billions	April to December 2019 USD Billions	Growth vis a vis December 2020 (%)	Growth vis a vis December 2019 (%)
Merchandise	Export	301.38	201.38	238.27	49.66	26.49
	Import	443.82	262.76	364.18	68.91	21.87
	Trade Balance	-142.44	-61.38	-125.91	-132.07	-13.13
Service	Export	177.68	150.09	160.13	18.39	10.96
	Import	103.30	85.00	97.24	21.52	6.23
	Net of Service	74.39	65.08	62.90	14.30	18.27
Over all Trade	Export	479.07	351.47	398.41	36.31	20.25
	Import	547.12	347.76	461.42	57.33	18.57
	Trade Balance	-68.06	3.70	-63.01	1937.96	-8.00

* Note: The latest data for services sector released by RBI is for November 2021. The data for December 2021 is estimation, which will be revised based on RBI's subsequent release. (ii) Data for 2019, 2020 and April to September 2021 are revised on pro-rata basis using quarterly balance of payments data.

- Non-petroleum and non-gems & jewellery exports in December 2021 were USD 28.92 Billion, registering a positive growth of 29.67 per cent over non-petroleum and non-gems & jewellery exports of USD 22.30 Billion in December 2020 and a positive growth of 37.31 per cent over non-petroleum and non-gems & jewellery exports of USD 21.06 Billion in December 2019.
- Non-petroleum, non-gems & jewellery (gold, silver & precious metals) imports were USD 35.47 Billion in December 2021 with a positive growth of 34.28 per cent over Non-petroleum, non-gems & jewellery imports of USD 26.41 Billion in December 2020 and a positive growth of 47.32 per cent over Non-petroleum, non-gems & jewellery imports of USD 24.07 Billion in December 2019.

Table 7: Trade Excluding Petroleum And Gems & Jewellery During December 2021

	December 2021 USD Billions	December 2020 USD Billions	December 2019 USD Billions	Growth vis a vis December 2020 (%)	Growth vis a vis December 2019 (%)
Non- petroleum exports	31.92	24.88	23.48	28.29	35.97
Non- petroleum imports	43.32	33.31	28.88	30.07	50.02
Non-petroleum & Non Gems & Jewellery exports	28.92	22.30	21.06	29.67	37.31
Non-petroleum & Non Gems & Jewellery imports*	35.47	26.41	24.07	34.28	47.32

Note: Gems & Jewellery Imports include Gold, Silver & Pearls, precious & Semi-precious stones

- Non-petroleum and non-gems & jewellery exports during April-December 2021 was USD 228.60 Billion, an increase of 36.96 per cent over non-petroleum and non-gems & jewellery exports of USD 166.91 Billion in April-December 2020 and an increase of 28.32 per cent over non-petroleum and non-gems & jewellery exports of USD 178.15 Billion in April-December 2019.
- Non-petroleum, non-gems & jewellery (gold, silver & precious metals) imports were USD 263.43 Billion in April-December 2021, recording a positive growth of 46.74 per cent, as compared to Non-petroleum, non-gems & jewellery imports of USD 179.52 Billion in April-December 2020 and a positive growth of 17.10 per cent over USD 224.96 Billion in April-December 2019.

Table 8: Trade Excluding Petroleum And Gems & Jewellery During April-December 2021

	April to December 2021 USD Billions	April to December 2020 USD Billions	April to December 2019 USD Billions	Growth vis a vis December 2020 (%)	Growth vis a vis December 2019 (%)
Non- petroleum exports	257.50	183.79	206.13	40.11	24.92
Non- petroleum imports	325.56	208.80	267.47	55.92	21.72
Non-petroleum & Non Gems & Jewellery exports	228.60	166.91	178.15	36.96	28.32
Non-petroleum & Non Gems & Jewellery imports*	263.43	179.52	224.96	46.74	17.10

Note: Gems & Jewellery Imports include Gold, Silver & Pearls, precious & Semi-precious stones

Table 9: Exports Of Top 10 Major Commodity Groups In March 2022

	Value of Export (Million US\$)	Share (%)	Growth (%)	Value of Export (Million US\$)
Major Commodity Group	Mar-22	Mar-21	Mar-22	Mar-22 over Mar-21
Engineering goods	10470.80	9298.36	25.93	12.61
Petroleum products	7377.07	3609.36	18.27	104.39
Gems and Jewellery	3624.34	3613.01	8.98	0.31
Organic and Inorganic chemicals	2649.59	2288.87	6.56	15.76
Engineering goods	10470.80	9298.36	25.93	12.61
Petroleum products	7377.07	3609.36	18.27	104.39
Gems and Jewellery	3624.34	3613.01	8.98	0.31
Organic and Inorganic chemicals	2649.59	2288.87	6.56	15.76
Engineering goods	10470.80	9298.36	25.93	12.61
Petroleum products	7377.07	3609.36	18.27	104.39
Total of 10 Major Commodity Groups	32872.78	26872.40	81.41	22.33
Rest	7506.82	8384.20	18.59	-10.46
Total Exports	40379.59	35256.60	100.00	14.53

Table 10: Imports Of Top 10 Major Commodity Groups In March 2022

	Import (Million US\$)	Share (%)	Growth (%)	
Major Commodity Group	Mar-22	Mar-21	Mar-22	Mar-22 over Mar-21
Major Commodity Group	Mar-22	Mar-21	Mar-22	Mar-22 over Mar-21
Major Commodity Group	Mar-22	Mar-21	Mar-22	Mar-22 over Mar-21
Major Commodity Group	Mar-22	Mar-21	Mar-22	Mar-22 over Mar-21
Major Commodity Group	Mar-22	Mar-21	Mar-22	Mar-22 over Mar-21
Major Commodity Group	Mar-22	Mar-21	Mar-22	Mar-22 over Mar-21
Major Commodity Group	Mar-22	Mar-21	Mar-22	Mar-22 over Mar-21
Major Commodity Group	Mar-22	Mar-21	Mar-22	Mar-22 over Mar-21
Major Commodity Group	Mar-22	Mar-21	Mar-22	Mar-22 over Mar-21
Major Commodity Group	Mar-22	Mar-21	Mar-22	Mar-22 over Mar-21
Major Commodity Group	Mar-22	Mar-21	Mar-22	Mar-22 over Mar-21
Major Commodity Group	Mar-22	Mar-21	Mar-22	Mar-22 over Mar-21
Major Commodity Group	Mar-22	Mar-21	Mar-22	Mar-22 over Mar-21
Major Commodity Group	Mar-22	Mar-21	Mar-22	Mar-22 over Mar-21
Major Commodity Group	Mar-22	Mar-21	Mar-22	Mar-22 over Mar-21

CONCLUSION

The present research study concludes that, With the Liberalization, Privatization and Globalization of the Indian economy and following liberal foreign trade, there had been changes in the business environment. The traders face more difficulties for selling of goods and services. Process of import and export are difficult one for every developing country. For the fast and stable development of the country, the commercial relations of the country with the other countries all over the world are very important. This is possible when a country allows imports as well as exports of goods and services. The trade transactions are to be monitored for which framing of the foreign trade policies is very much essential. Government has encouraged exporters to improve production of various commodities. The exports and imports of a country give rise to monetary transactions with other countries.

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