

# India's Foreign Trade: Policy Measures Recent Trends and Issues

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**Abstract –** This investigation features changes in designs in India's outside trade in the course of the most recent decade. The report independently considers fares and imports of India, to check their policy (i.e. the item container) furthermore, course (i.e. the nation profile of trade). It might be that as it may, be noticed that adjustments in the trade container (i.e. piece) and heading of trade featured thereof, have been continuous over the ten year time frame under thought. Foreign trade will be trade of capital, products, and administrations crosswise over universal fringes or regions. In many nations, it speaks to a noteworthy offer of (GDP). While global trade has been available all through a lot of history, its financial, social, and political significance has been on the ascent in late hundreds of years. The Foreign Trade Policy of India is guided by the Export Import in known as in short EXIM Policy of the Indian Government and is directed by the Foreign Trade Development and Regulation Act, 1992.

**Keywords:** Foreign Trade Policy, India, Indian Economy.

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## INTRODUCTION

Foreign trade will be trade of capital, products, and administrations crosswise over worldwide fringes or domains. In many nations, it speaks to a critical offer of (GDP). While global trade has been available all through quite a bit of history, its monetary, social, and political significance has been on the ascent in late hundreds of years. The nations having abundance generation of specific things think that its useful to pitch them to some different nations and purchase things in which they are lacking from others. It is likewise watched that a few nations accomplish specialization underway of specific items by temperance of embracing propelled innovation while others think that its troublesome or costly to create it in their own nation. They want to purchase those items from the previous. Along these lines, uneven dissemination of characteristic assets and specialization achieved underway of specific things offer ascent to trade of merchandise and ventures between various nations. Such trade is named as "Outer Trade". It is otherwise called Foreign Trade or International Trade.

The combination of the local economy through the twin channels of trade and capital streams has quickened in the previous two decades which thusly prompted the Indian economy developing from Rs 32 trillion (US\$ 474.37 billion) in 2004 to about Rs 153 trillion (US\$ 2.3 trillion) by 2016. At the same time, the per capita salary additionally about trebled amid these years. India's trade and outer segment

significantly affected the GDP development and additionally extension in per capita wage.

Add up to stock fares from India developed by 10.29 for each penny year-on-year to US\$ 23.81 billion in August 2017, while general trade shortage expanded year-on-year from US \$ 12.72 billion amid April-August 2016-17 to US \$ 39.87 billion amid April-August 2017, as indicated by information from the Ministry of Commerce and Industry.

As indicated by Mr. Suresh Prabhu, Minister for Commerce and Industry, the Government of India is quick to develop sends out and give more employments to the youthful, capable, knowledgeable and even semi-gifted and untalented workforce of India.

For the most part no nation is independent. It needs to rely on different nations for bringing in the merchandise which are either non-accessible with it or are accessible in deficient amounts. Additionally, it can trade merchandise, which are in abundance amount with it and are sought after outside.

Worldwide trade implies trade between the at least two nations. Worldwide trade includes diverse monetary standards of various nations and is controlled by laws, guidelines and directions of the concerned nations. Along these lines, International trade is more unpredictable.

Industrialization, propelled transportation, globalization, multinational partnerships, and outsourcing are altogether majorly affecting the worldwide trade framework. Expanding worldwide trade is vital to the duration of globalization. Without universal trade, countries would be constrained to the merchandise and ventures delivered inside their own outskirts.

Global trade is on a fundamental level not quite the same as residential trade as the inspiration and the conduct of gatherings associated with an trade don't change in a general sense paying little mind to whether trade is over an outskirt or not. The primary distinction is that global trade is regularly more exorbitant than local trade.

The reason is that a fringe normally forces extra costs, for example, duties, time costs because of outskirt postponements and expenses related with nation contrasts, for example, dialect, the legitimate framework or culture. Universal trade comprises of 'send out trade' and 'import trade'. Fare includes offer of products and enterprises to different nations. Import comprises of buys from different nations.

Global or Foreign trade is perceived as the most huge determinants of monetary advancement of a nation, everywhere throughout the world. The outside trade of a nation comprises of internal (import) and outward (send out) development of merchandise and ventures, which comes about into outpouring and inflow of foreign trade. Along these lines it is additionally called EXIM Trade.

### Capital Inflows

According to data released by the Reserve Bank of India (RBI), India's foreign trade reserves were US\$ 399.921 billion as on October 20, 2017.

### India's Trade Performance

India's merchandise exports reached a level of US \$ 251.14 billion during 2010-11 registering a growth of 40.49 percent as compared to a negative growth of 3.53 percent during the previous year. India's export sector has exhibited remarkable resilience and dynamism in the recent years. Despite the recent setback faced by India's export sector due to global slowdown, merchandise exports recorded a Compound Annual Growth Rate (CAGR) of 20.0 per cent from 2004-05 to 2010-11.

### Foreign Direct Investments (FDI)

During April 2000–June 2017, India received total foreign investment (including equity inflows, re-invested earnings and other capital) worth US\$ 498.901 billion. The country was one of the top destinations for FDI inflows from Asian countries, with Mauritius contributing 33.57 per cent, Singapore

16.82 per cent and Japan and UK contributing more than 7 per cent each of the total foreign inflows.

### Foreign Institutional Investors (FIIs)

FIIs net investments in Indian equities and debt stood at Rs 102,598 crores (US\$ 15.75 billion) in 2017-18 (up to 12th October, 2017).

### External Sector

- India has revised its proposal on trade facilitation for services (TFS) at the World Trade Organisation (WTO) and has issued a new draft, with the contents being more meaningful and acceptable to other member countries.
- Indian exports of merchandise shipments is expected to reach US\$ 325 billion in 2017-18, compared to US\$ 275 billion in 2016-17, as per Mr Ganesh Kumar Gupta, President, Federation of Indian Export Organisations (FIEO).
- The Union Cabinet, Government of India, has approved the proposed Memorandum of Understanding (MoU) between Export-Import Bank of India (EXIM Bank) and Export-Import Bank of Korea (KEXIM).
- The Goods and Services Network (GSTN) has signed a memorandum of understanding (MoU) with Mr. Ajay K Bhalla, Director General of Foreign Trade (DGFT), to share realized foreign trade and import-export code data, process export transactions of taxpayers under goods and services tax (GST) more efficiently, increase transparency and reduce human interface.
- In March 2017, the Union Cabinet approved the signing of the customs convention on the international transport of goods, Transports Internationaux Routiers (TIR) making India the 71st signatory to the treaty, which will enable the movement of goods throughout these countries in Asia and Europe and will allow the country to take full benefit of the International North South Transportation Corridor (INSTC).
- Mr. Richard Verma, the United States Ambassador to India, has verified that India-US relations across trade, defence and social ties will be among the top priorities of the newly elected US President Mr Donald Trump's administration.

## Foreign Trade Policy

- All export and import-related activities are governed by the Foreign Trade Policy (FTP), which is aimed at enhancing the country's exports and use trade expansion as an effective instrument of economic growth and employment generation.
- The Department of Commerce has announced increased support for export of various products and included some additional items under the Merchandise Exports from India Scheme (MEIS) in order to help exporters to overcome the challenges faced by them.
- The Central Board of Excise and Customs (CBEC) has developed an 'integrated declaration' process leading to the creation of a single window which will provide the importers and exporters a single point interface for customs clearance of import and export goods.
- As part of the FTP strategy of market expansion, India has signed a Comprehensive Economic Partnership Agreement with South Korea which will provide enhanced market access to Indian exports. These trade agreements are in line with India's Look East Policy. To upgrade export sector infrastructure, 'Towns of Export Excellence' and units located therein will be granted additional focused support and incentives.
- RBI has simplified the rules for credit to exporters, through which they can now get long-term advance from banks for up to 10 years to service their contracts. This measure will help exporters get into long-term contracts while aiding the overall export performance.
- The Government of India is expected to announce an interest subsidy scheme for exporters in order to boost exports and explore new markets.

In spite of the fact that India has consistently opened up its economy, its levies keep on being high when contrasted and different nations, and its venture standards are as yet prohibitive. This leads some to consider India to be a 'fast globalizer' while despite everything others consider it to be a 'very protectionist' economy.

Till the mid-1990s, India was a shut economy: normal levies surpassed 200 percent, quantitative limitations on imports were broad, and there were stringent

confinements on outside speculation. The nation started to mindfully change in the 1990s, changing just under states of outrageous need.

Since that time, trade changes have delivered exceptional outcomes. India's trade to GDP proportion has expanded from 15 percent to 35 percent of GDP in the vicinity of 1990 and 2005, and the economy is currently among the quickest developing on the planet.

Normal non-farming levies have fallen beneath 15 percent, quantitative confinements on imports have been killed, and remote speculations standards have been casual for various parts.

India however holds its entitlement to ensure when require emerges. Agrarian levies normal between 30-40 for each penny, against dumping measures have been generously used to ensure trade, and the nation is among the few on the planet that keep on banning remote interest in retail trade. Despite the fact that this strategy has been to some degree loose as of late, it remains extensively prohibitive.

In any case, as of late, the administration's remain on trade and speculation approach has shown a stamped move from securing 'makers' to profiting 'buyers'.

This is reflected in its Foreign Trade Policy for 2004/09 which expresses that, "For India to end up plainly a noteworthy player in world trade ...we have likewise to encourage those imports which are required to empower our economy."

India is currently forcefully pushing for a more liberal worldwide trade administration, particularly in administrations. It has expected a position of authority among creating countries in worldwide trade policys, and had a basic impact in the Doha transactions.

## Issues

- India's trade policy has a noteworthy constraint wherein it concentrates on boosting organizations after fares have occurred. Thus the trade advancement motivators don't target rising firms to accomplish send out intensity yet remunerate officially effective exporters to enhance their edges.
- The trade strategy does not have provisions for mediations focussing on esteem expansion and work age. This infers the strategy isn't taking a shot at long haul auxiliary measures however more towards

here and now result situated measures which are not feasible over the long haul.

- Trade advancement is as yet confined to conventional trade reasonable write exercises. Almost certainly that these exercises are essential for advancement and business improvement, however a difference in approach is required in this time of developing web and versatile innovation which expects exercises to be more system situated.
- Absence of organizations which can offer help for new item improvement and their position in the worldwide market in a benevolent way. These organizations can be utilized for auxiliary exercises, for example, advancement of models, innovative work and so on.
- India's trade policy likewise experiences an ancient plan. The trade policy and transactions over accentuation on taxes which are not imperative for advertise get to picks up. Trade today is guided by different factors, for example, specialized and quality norms.
- India has not been effective in tapping the potential that the colossal household markets and the economies of scale offer to draw in outside direct speculation and innovation trades. This is watched in view of patterns which demonstrate that MNCs pulled in by the span of the Indian buyer base frequently don't extend operations in India.
- Investors need to confront a blend of high trade and info costs, supply-side imperatives, and foundation shortages which is a noteworthy obstruction in setting up and operations of businesses. Thus worldwide financial specialists additionally indicate hesitance in setting up and growing business in India.

### Reforms needed

India needs to beat the current constraints in the trade policy. All the while it likewise needs to prepare for the up and coming changes in innovation and financial setup to meet the quickly advancing requirements and requests of shoppers and makers India needs to bring changes as recommended underneath.

- India ought to rebuild in a way where it can move HR and capital from failing to meet expectations or kicking the bucket parts and re-utilize them in more focused exercises.

- The trade policy ought to be on which satisfactorily compensates esteem expansion and advances work in more beneficial parts.
- To coordinate the pace of changes occurring, India ought to advance interest in development and new item improvement and furthermore enable such items to locate a worldwide market.
- Fair showcase access for Indian items subject to stringent mechanical and quality benchmarks in worldwide markets is additionally basic.
- The gigantic Indian markets and the household economies of scale that they offer ought to be tapped effectively to draw in FDI in gainful areas.
- Indian firms ought to be helped and supported to have the capacity to meet the quality and specialized models characterized by government controllers or because of the opposition in the market. Exchange understandings and other institutional arrangements can be utilized to decrease the cost of agreeing to these norms. This will likewise help in strengthening of the Small and Medium Enterprises (SME).

The difficulties postured by changes in innovation and worldwide purchaser inclinations are changing the example of FDI-drove outsourcing and decreasing the future FDI-drove send out development.

The legislatures measures in territories of regulatory changes through simplicity of working together changes and framework advancement may help in restoring the capability of FDI in financial development.

An audit of the general exchange system is the need of great importance for India. The progressions must be made as far as exchange advancement plans and exercises and the outline of exchange assertions and arranging needs.

These measures will decide India's capacity to attempt basic change and push for longer-term aggressiveness.

### Impact on the Economy:

As indicated by a few specialists the concentration in this FTP has been "Straightforwardness And Stability". Appropriately, the approach from one perspective tries to realign the numerous plans with the target of lessening complexities. On the other had it need to advance the expanded utilization of



innovation to diminish the trade cost and manual compliances.

Supporters have given their decision for this new FTP, expressing it as 'dynamic', 'way breaking' and 'advancement well disposed' as fares of books, craftsmanship, handlooms, toys, materials, safeguard and web based business stages would be less demanding and quicker. As indicated by them, a major advance is tidying up the plenty of fare advancement plans and clubbing them under two plans, one for products (Merchandise Exports from India Scheme) and one for administrations (Services Exports from India Scheme). The obligation scrips under these plans come without conditions and can be uninhibitedly traded.

One noteworthy declaration in the policy is that it will move far from depending to a great extent on endowments and sops. Pundits however call attention to that, this is incited by World Trade Organization (WTO) necessities that fare advancement sponsorships ought to be eliminated, yet as per a few specialists there are methods for getting around it and different nations are doing everything the time.

There has been discussion of boosting administrations trades for many years now, however data innovation and data innovation empowered administrations (IT/ITES) commanded the container. The offer of this section in the general fare container is 50 percent and 90 percent in the administrations send out crate.

All the more imperatively, this segment was excessively reliant on western markets and, thusly, to a great degree powerless against even the littlest of advancements there. The policy, luckily, turns its regard for different segments where India has innate focal points – social insurance, instruction, R&D, coordination's, proficient administrations, diversion, and in addition administrations coincidental to assembling.

By broadening benefits under EPCG on local obtainments and offering them more items under MEIS, the policy additionally looks to motivating forces the fares. Right course.

As indicated by the Commerce Minister Nirmala Sitaraman, It's an engaged strategy, one in which sends out through Make in India is underlined by taking a gander at segments that give more prominent work and have cutting edge esteem expansion. That is on account of the expectation is to join the worldwide esteem chain or more all, the earth part, where you are taking a gander at eco-accommodating frameworks and creating riches out of waste. In this way, the need zones are innovation driven, work escalated driven and condition driven.

You are likewise taking a gander at customary markets, developing markets and enhancing into new markets.

## CONCLUSION

India is by and by known as a standout amongst the most imperative players in the worldwide monetary scene. Its trade approaches, government changes and characteristic financial qualities have credited to its remaining as a standout amongst the most looked for after goals for remote interests on the planet. Additionally, innovative and infrastructural advancements being completed all through the nation forecast well for the trade and financial area in the years to come.

Helped by the prospective FTP, India's fares are normal achieve US\$ 750 billion by 2018-2019 as indicated by Federation of India Export Organization (FIEO). Additionally, with the Government of India hitting imperative manages the legislatures of Japan, Australia and China, the outer area is expanding its commitment to the financial improvement of the nation and development in the worldwide markets. Additionally, by executing the FTP 2014-19, by 2020, India's offer in world trade is relied upon to twofold from the present level of three for every penny. Foreign exchange India has been a standout amongst the most imperative determinants of financial advancement in India. Another Outside Trade Policy gives a lift to make in India vision of the administration. The concentrate of the arrangement is on building the India Brand and expanding offer of Export Market of India, Exports foundation. It underlined on "Make in India, Skill India, and Ease of Doing Business" and furthermore gives the system of survey. It insists reliable strategy instrument for a long time with the survey component following two and half years.

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