

# Trade of India



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### India – International trade

For decades after independence in 1947, India embarked on a program of autarky (national economic self-sufficiency) which included import substitution policies. By 1991, however, a sluggish economy combined with the forces of globalization led to a more open Indian economy. There was simultaneously a gradual rise in exports, imports, foreign direct investment (FDI), and overall economic growth. In the 1990s, exports of goods and services rose from 6.2 percent to 8.2 percent of total output. By the end of the decade, however, growth in exports began to level off due to reduced international demand, especially with India's main economic partners, the United States and the European Union (EU). Indian exports were further hit by serious competition from East Asian countries, which had recently experienced depreciated domestic currencies, which led to a decline in global prices for their manufactured goods. As a result, exports of Indian textiles, chemicals, machinery, electronic goods, and automotive parts all began to decline.

As compared to a couple of decades earlier, however, the size of India's foreign trade has noticeably expanded, both in absolute terms and relative to the country's GDP. Exports have again picked up since 1999, when they showed a 13 percent growth. Imports have also ballooned, showing an average of 20 percent growth per year during 1992-2000. Total exports in 2001 are expected to be near US\$46 billion and total imports at US\$51 billion. Petroleum constitutes the largest import item at more than US\$6 billion and accounts for 14 percent of total imports in 1999. Petroleum imports may be as high as US\$17 billion in 2001. Gems and jewelry constitute the single largest export item, accounting for 16 percent of exports and earning about US\$4.5 billion in 1999. The top three export destinations of Indian goods were the United States, Britain, and Germany, which together

#### TRADE (EXPRESSED IN BILLIONS OF US\$): INDIA

|      | EXPORTS | IMPORTS |
|------|---------|---------|
| 1975 | 4.355   | 6.381   |
| 1980 | 8.586   | 14.864  |
| 1985 | 9.140   | 15.928  |
| 1990 | 17.975  | 23.642  |
| 1995 | 30.764  | 34.522  |

## TRADE (EXPRESSED IN BILLIONS OF US\$): INDIA

|      | EXPORTS | IMPORTS |
|------|---------|---------|
| 1998 | 32.881  | 42.201  |

SOURCE: International Monetary Fund. International Financial Statistics Yearbook 1999.

Constituted one-third of total Indian exports in 1999. In turn, the top three import sources were the United States, Britain, and Belgium, together constituting 21 percent of total imported items.

In 2001, FDI in India was expected to near US\$4 billion. To further seek buyers for Indian products, Indian companies have also major plans for investing abroad. Several Indian information technology companies, for example, have plans to outsource some of their production to China, where labor is as much as 20 percent cheaper. Furthermore, India's largest car manufacturer, Mahindra and Mahindra, may soon be entering the European market via the production of tractors in the Czech Republic. One Indian investment that is already operating abroad is a US\$180 million fertilizer plant in the Persian Gulf nation of Dubai.

### FOREIGN TRADE POLICY OF INDIA

#### Introduction

The integration of the domestic economy through the twin channels of trade and capital flows has accelerated in the past two decades which in turn led to the India's GDP reaching Rs 167.73 trillion (US\$ 2.30 trillion) in 2017-18\*. Simultaneously, the per Capita income also nearly trebled during these years. India's trade and external sector had a significant impact on the GDP growth as well as expansion in per capita income. Provisional estimates of India's GDP during the 2018-19 stood at Rs 190.10 trillion (US\$ 2.72 trillion). As per the estimates of Gross Domestic Product (GDP) for the first quarter (Q1) of 2019-20, the growth of real GDP for Q1 of 2019-20 is estimated at 5 percent.

Total exports from India (Merchandise and Services) registered a growth of 1.60 per cent year-on-year during April-November 2019 to US\$ 353.96 billion, while total imports estimated to be US\$ 408.02 billion, exhibiting a negative growth of 5.30 per cent according to data from the Ministry of Commerce & Industry. Total exports from India (Merchandise and Services) registered a growth of 1.60 per cent year-on-year during April-November 2019 to US\$ 353.96 billion, while total imports estimated to be US\$ 408.02 billion, exhibiting a negative growth of 5.30 per cent according to data from the Ministry of Commerce & Industry.

The merchandise export stood at Rs 14,89,793.87 crore (US\$ 211.93 billion) during April-November 2019 and imports reaching Rs 22,39,900.18 crore (US\$ 318.78 billion) for the same period.

The estimated value of services export for April-October 2019 stood at US\$ 142.02 billion and import is US\$ 89.24 billion.

Thus, the overall trade deficit for April-November 2019 is estimated at US\$ 54.06 billion.

According to Mr Piyush Goyal, Minister for Commerce and Industry, the Government of India is keen to grow exports and provide more jobs for the young, talented, well-educated and even semi-skilled and unskilled workforce of India.

### Capital Inflows

India's foreign exchange reserves were Rs 32.19 lakh crore (US\$ 460.65 billion) in the week up to November 22, 2019 according to data from the RBI.

### External Sector

- In December 2019, cabinet approved Memorandum of Understanding between Central Electricity Authority, India and Japan Coal Energy Centre, on Japan-India cooperation for Efficiency and Environmental Improvement for Sustainable, Stable and Low-Carbon supply of Electricity.
- The Memorandum of Cooperation (MoC) between Government of India and Government of Japan in order to constitute the 'India-Japan Steel Dialogue' to strengthen cooperation in steel sector got approval from cabinet in December 2019.
- In November 2019, All India Institute of Ayurveda (AIIA) signed a Memorandum of Understanding (MoU) with Western Sydney University, Australia at New Delhi.
- In November 2019, the Memorandum of Understanding (MoU) signed between India and Finland approved by Cabinet in order to strengthen the cooperation in the field of Tourism.
- In September 2019, four Memorandum of Understanding (MoUs) were signed between India and Mongolia focusing on cultural exchange protocol, disaster management, space exploration and in field of animal health and dairy.
- In September 2019, Liquefied Natural Gas (LNG) importer Petro net entered into agreement with US LNG developer Tellurian Inc. and invest US\$ 2.5 billion.
- In August 2019, four Memorandum of Understanding (MoUs) were signed between India and France focusing on skill development and vocational training, renewable energy, IT services and space research.
- In June 2019, India and Kyrgyzstan signed 15 agreements in main areas, including defense, trade and investment and health.
- In April 2019, India signed a memorandum of understanding (MoU) with the National Bank for Agriculture and Rural Development Consultancy Service (NABCONS) for establishing the India-Africa Institute of Agriculture and Rural Development (IAIARD) in Malawi, South Africa.
- In December 2018, India and the UAE signed currency swap agreement to boost trade and investment ties between the two countries.

### Foreign Trade Policy

- In the Mid-Term Review of the Foreign Trade Policy (FTP) 2015-20 the Ministry of Commerce and Industry has enhanced the scope of Merchandise Exports from India Scheme (MEIS) and Service Exports from India

Scheme (SEIS), increased MEIS incentive raised for ready-made garments and made-ups by 2 per cent, raised SEIS incentive by 2 per cent and increased the validity of Duty Credit Scrips from 18 months to 24 months.

- In August 2019, Ministry of Commerce plans to introduce new foreign trade policy aimed at providing incentives and guidelines for increasing export in next five financial years 2020-25.
- As of December 2018, Government of India is planning to set up trade promotion bodies in 15 countries to boost exports from Small and Medium Enterprises (SME) in India.
- In September 2018, Government of India increased the duty incentives for 28 milk items under the Merchandise Export from India Scheme (MEIS).
- 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.

### Road Ahead

India is presently known as one of the most important players in the global economic landscape. Its trade policies, government reforms and inherent economic strengths have attributed to its standing as one of the most sought-after destinations for foreign investments in the world. In addition, technological and infrastructural developments being carried out throughout the country augur well for the trade and economic sector in the years to come.

Boosted by the forthcoming FTP, India's exports are expected reach US\$ 750 billion by 2018-2019 according to Federation of India Export Organization (FIEO). In addition, with the Government of India striking important deals with the governments of Japan, Australia and China, the external sector is increasing its contribution to the

economic development of the country and growth in the global markets. Moreover, by implementing the FTP 2014-19, by 2020, India's share in world trade is expected to double from the present level of three per cent.

Sources :

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