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Impact Of Foreign Trade Policies In India

Dr.A. Kavitha
Assistant Professor in Commerce,
MIT College of Arts and Science for Women,
Musiri

Abstract

Foreign trade in India began in the period of the letter half of the 19th century. The period 1900-1914 saw development in India's foreign trade. The augment in the production of crops as oil seeds, cotton, jute and tea was mainly due to a thriving export trade. In the First World War, India's foreign trade decelerated. The composition of trade is now dominated by manufacturing goods and services. India services exports share in global exports is more than double of that of Indian manufacturing exports. Foreign trade in India comprises of all imports and exports to and from India. This has generated debate on the linkage between trade policy and economic growth, in addition to other variables, the balance of payments and current account deficit. The evidence suggests that the trade liberalization policies pursued in India played a positive role in influencing economic growth. There is huge untapped potentials for Indian foreign trade in years to come.

Key words: *trade policy, economic growth, import export, balance of payments, GDP, products and services.*

Introduction

The alliance of the domestic economy through the twin channels of trade and capital flows has advance in the past two decades which in turn led to the India's GDP reaching Rs.190.10 trillion (US$ 2.72 trillion) in 2018-19. The gross domestic product continued its downward gradually for the seventh consecutive quarter, falling to 4.5 percent in the second quarter (July – September) of the year 2019-2020. This is a fall of 0.5 % points compared to last quarter. Compared to the second quarter of the year 2018-2019, it is a fall of 2.6 % points. In the second quarter of the previous year, the GDP growth stood at 7.1%.

The GDP growth seen in the last quarter was slowest in more than six years. The previous low was recorded at 4.3% in the final quarter (January –March) of 2012-2013. As per the first advance estimates of the national income released by the National Statistical Office (NSO) ,the manufacturing sector output growth will decelerate to 2 % in 2019-2020,down from 6.9 % in the

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previous financial year. The construction sector growth is estimated at 3.2% as against 8.7% in 2018- 2019. According to back series GDP data released by the government in November 2018, the previous low in economic growth was recorded at 3.1 % in 2008-2009.

The depression performance for the fiscal was anticipated as the GDP growth in the first quarter was 5% and 4.5% in the subsequent three months period. The RBI had also lowered its forecast for the economic growth to 5% while announcing its hi- monthly monetary policy last month.

The macro – economic data is important as Finance Minister Sitharaman would be using it for preparing Budget estimates for the next financial year. She is expected to present budget 2020-2021 in Parliament on February 1. The NSO data further revealed that deceleration in growth will also be witnessed in other key segments, like agriculture , electricity , gas and water supply , trade , hotel and transport sector , financial ,real estate , and professional services.

Whereas some sector, including mining public administration, and defiance showed minor improvement. As per the advance estimates for 2019-2020 , the growth in real GDP during 2019- 20 is estimated at 5% as compared to 6.8% in 2018- 19. The estimated growth of real GVA in 2019-2020 is 4.9% as against 6.6 % in 2018-19. The GVA at basic prices for 2019-2020 from agriculture, forestry and fishing sector is estimated to grow by 2.9 % in 2018-19, the CSO statement said.

As regards, mining and quarrying sector, the GVA at basic price for 2019 -2020 is estimated to grow at 1.5 % as compared to 1.3 % in 2018-19. The per capita income at current prices is estimated at Rs.1,35,050 , showing a rise of 6.8% , as compared to Rs.1,26,406 during 2018-19 with the growth rate of 10.0 %.

Gross fixed capital formation at current price is estimated at Rs. 57.42 lakh crore in 2019- 2020 as against Rs.55.70 lakh crore in 22018-19.at constant (2011-12) price , the GFCF is estimated at Rs. 45.93 lakh crore in 2019-20 as against s. 45.48 lakh crore in 2018-19.

In terms of GDP , the rate of GFCF at current and constant (2011-12) a rises during 2019-20 are estimated at 28.1 % and 31.1 % , respectively as against the corresponding rates of 29.3 % and 32.3 % respectively in 2018-19 the cso said. Commenting on the data , ICRA principal economist Aditi Nayar said the momentum of spending by the central government dipped in Oct-Nov 2019 , and there are apprehensions that revenue concerns may necessitate an expenditure squeeze , which has emerged as a key risk to the pace of economic growth.

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For FY 2020 as a whole, we expect GVA and GDP growth to print at 5.1 % and 5.3 % respectively , modestly higher than the advance estimates of 4.9% and 5% said.

REVIEW

Foreign trade in India began in the period of the letter half of the 19^{th} century. The period 1900-1914 saw development in Indian's foreign trade. The augment in the production of crops as oil seeds, cotton, jute and tea was mainly due to a thriving export trade. In the First World War, India's foreign trade decelerated,

After post war period, India's exports increased because demand for raw materials was increased in all over world and there were elimination of war time restrictions .The imports also increased to satisfy the restricted demand. Records indicated that India's foreign trade was rigorously affected by the great depression of 1930s because of decrement in commodity prices , decline in consumers purchasing power and unfair trade policies adopted by the colonial government .During the second world war , India accomplished huge export surplus and accumulated substantial amount of real balances. There was a huge pressure of restricted demand in India during the Second World War.

The import requirements were outsized and export surpluses were lesser at the end of war. Before independence, India's foreign trade was associated with a colonial and agricultural economy. Exports consisted primarily of raw materials and plantation crops while imports composed of light consumer merchandise and other manufactures. The organized utilization of the country by the foreign leaders. The raw material were exported from India's and finished products imported from the U.K. The productions of final products were discouraged.

For instance cotton textiles which were India's exports accounted for the largest share of its imports during the British period .This resulted in the decline of India's foreign trade has changed in terms of composition of commodities.

The exports included array of conventional and non-traditional products while imports mostly consist of capital goods, petroleum products raw materials , intermediates and chemicals to meet the ever increasing industrial demands. The exports trade during 1950-1960 was noticeable by two main trends. First among commodities which were directly based on agricultural production such as tea , cotton textiles , jute manufactures ,spices and tobacco exports did not increase on the whole and secondly there was a significant boost in the exports of raw manufactures such as iron ore.

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In the period of 1950-1951, main products dominated the Indian export sector . these included cashew kernels, black pepper, tea coal , mica manganese ore raw and cotton and raw wool. These products comprised of 34% of the total exports. In the period of 1950s there were balance of payments crunch. The exports proceeds were not enough to fulfill the emerging import demand. The turn down in agriculture production and growing pace of development activity added pressure. The external factors such as the closure of Suez Canal created tension on the domestic financial system. The critical problem at that moment was that of foreign exchange scarcity. The second five year plan with its and transport had a large foreign exchange factor. This tension on the balances of payments required the stiffening of import strategy at a later stage.

GDP AND TRADE POLICY IN INDIA

The international economics comprises of sovereign nation, each free to choose its economic policies. Unfortunately in an integrated world, economic policies of a country usually affect other countries as well. Each and every nation of the world has its own foreign policy for the protection, stability and prosperity. Foreign economic policy of any country is that component of government policy which monitor and formulates its economic dealings with the rest of the world . Its objective is development and also to correspond economic evolutions in the world in accordance with the country's overall objectives. Economic growth and development of a country's of a country is very closely connected to its foreign trade policy.

India aim to increase India's export of merchandise and services from US $ 465 bn, in 2013-14 to approximately US$ 900 bn by the 2019-20 and to raise India's share in the world export from 2% to 3.5%. Commerce and Industry Minister Nirmala Sita Raman unveiled foreign trade policy (FTP) 2015-2020, which seek to provide higher incentives to agriculture industry. FTP also seeks to establish an institutional framework to work with state governments to boost India's exports.

Salient Features of India's Foreign Trade policy

Merchandise Export from India Scheme (MEIS) and Service Exports from India Scheme (SEIS) launched. The SEIS is for increasing exports of notified services. These schemes replace multiple schemes earlier in place, each different conditions for eligibility and usage . Incentives (MEIS & SEIS) to be available for SEZs also. E-commerce of handicrafts , handlooms , books etc., eligible for benefits of MEIS.

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Export obligation would be reduced by 25 % and incentives available under the MEIS and SEIS would be extend to the units in the SEZs to make them more attractive for investors. SEZs have lost their sheen after imposition of the minimum alternate tax (MAT) and dividend distribution tax (DDT) in 2012.

Further business services, hotel and restaurants would get rewards scrip's under SEIS at the rate of 3 % and other specified services at the rate of 5%. Phraseology of Exports House , Trading House , premier trading house certificate changed to 1,2,3,4,5 star export house.

Higher level of rewards under MEIS for export items with high domestic content and value addition. Export obligation under EPCG scheme reduced to 75% to promote domestic capital goods manufacturing.

Export promotion mission to take on board state governments. Agriculture and village industry products to be supported across the globe at rates of 3% and 5% under MEIS. Industrial products to be supported in major market at rates ranging from 2% to 3%. Under the new five year trade policy , the government will provide incentives to e-commerce companies exporting products from sectors that create jobs.

Firms that export goods through courier or foreign post office using E-commerce of FOB value up to Rs.25,000 per consignment will be entitled for rewards under MEIS. Specific measures will be taken to facilitate the entry of new entrepreneur and manufacturer in global trade through extensive training programmes.

A new institution centre for research in international trade is being established not only to strengthen India's research capabilities in the area of international trade, but also to enable developing countries to articulate their views and concerns from a well informed position of strength. Two institutional mechanisms are being put in place for regular communication with stake holders the board of trade and council for trade development (CTD) and promotion. While the board of trade will have an advisory role, the CTD would have representation from states and UT governments.

CONCLUSION

With the help of foreign policies , a country can lead to equality of pricing to ensure a stable demand and supply situation with in the economy .Foreign trade policy also enables a nation to import certain products at the time of a natural disaster and therefore manage paucity when demand is high by proving better quality of goods. It also assists in raising the standard of

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living and making supplies available at a lower cost. Therefore, the foreign trade policy in India is a complete policy to enhance the position of India in the international market and create benefits for all.

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