Foreign Trade

1. Before independence, the foreign trade of India was being operated on the principles of colonialism. But after independence, there have been huge changes in its state and direction.

2. After independence, inward looking foreign trade policies were accepted and the policy of import replacement was its base.

3. Efforts were made for trade liberlisation during the decade of 1980 and the comprehensive policy of liberalisation and globalisation was made in th deca e of 990s (after the year 1991).

Volume of India's Foreign Trade

1. After independence, Indian foreign trade has made cumulativ progress both qualitatively and quantitatively. Though the size of foreig trade and s vlaue both have increased during post-independence era, this incr in fore n trade cannot be said satisfactory because Indian share in total foreig trade of he w ld has remained remarkable low.

2. In 1950, the Indian share in the tot world trad s 1.78%, which came down to 0.6% in 1995. According to the Economic Survey 2001-02 this share percentage of 0.6% continued in years 1997 a d 1998 Si ce 197 this share has remained around 0.6% which clearly indicates that d a has fai d to increase its share in the total world trade.

3. India's total external de (ex orts + imports including re-exports) in the year 2009-10 reached a level of Rs. 8,45,534 cr re registering a growth of 0.57%. In US $ terms, exports reached a lev of US $ 78.8 billion, registering a negative growth of -3.5% as compared to a g owth f 13.6% uring the previous year.

Composi on f India's Foreign Trade

1. Impo s have een classified into Bulk imports and Non-bulk imports.

2. Bulk impo s are further sub-divided into Petroleum, oil and lubricants (POL) and non-POL items s h as consumption goods, fertilizers and iron and steel.

3. Non-bulk items comprise capital goods (which include electrical and non-electrical machinery), pearls, precious and semiprecious stones and other items.

4. The structural changes in imports since 1951 show : (a) rapid growth of industrialisation necessiating increasing imports of capital goods and raw materials; (b) growing imports of raw materials on the basis of liberalisation of imports for export promotion; and (c) declining imports of food grains and consumer goods due to the country becoming self-sufficient in food grains and other consumer goods through agricultural and industrial growth.

5. Exports of India are broadly classified into four categories : (i) Agriculture and allied products which include coffee, tea, oil cakes, tobacco, cashew kernels, spices, sugar, raw cotton, rice, fish and fish preparations, meat and meat preparations, vegetable oils, fruits, vegetables and pulses; (ii) Ores and minerals which include manganese ore, mica and iron ore; (iii) Manufactured goods which include textiles and ready-made garme ts, jute manufactures, leather and footwear handicrafts including pearls and pre ous st nes chemicals, engineering goods and iron steel; and (iv) Mineral fuels an lu ricant

6. Exports of India over the years show a clear decline in the mport ce of agriculture and allied products and a substantial increase in the importa of manuf tured goods. This has been due to changing production structure of the economy and the overall growth of the economy.

Direction of Foreign Trade

India is having maximum trade with OECD co tries (ma nly the USA, EU and Japan). The direction of Indian trade registered a hange ring ecent past years. Indian trade has been partially shifted from West-Eur e to East Asia and OECD countries.
The high growth rate in Japan and SEAN untries gave a high demand and favourable market to Indian exports. T is has been one of he major reasons responsible for increasing Indian exports to E t-Asian re ion of the world.

‘New Foreign Trade Policy (2009-2014)

In the Foreign T ade p licy for t e year 2009-14 announced on 27 August, 2009, the Govern ent sp t out a b ld vi ion to double India's exports of goods and services by 2014 and t dou le India's percentage share of global trade by 2020 and to focus on the generation of ditiona mployment.
Stability f trad policy regime and need based support measures extended from time have yield positi e results since the inception of the Foreign Trade Policy (FTP) 2009-14.

Exim Policy 2002-07

The major highlights of Exim Policy 2002-07 are :

(i) Removal of quantitative and packaging restrictions on agri exports.

(ii) Transport assistance for movement of agri goods.

(iii) Export thrust on items indentified in Medium Term Export Strategy.

(iv) Continuance of existing duty neutralisation schemes till the Value Added Tax (VAT) becomes fully operational.

(v) Extension of the period for fulfilling export obligations under Export Promotion Capital Goods (EPCG) Scheme from 8 to 12 years.

(vi) Exemption of banking units set up in SEZs from statutory requirements li e SLR and CRR.

(vii) Easing of external commercial borrowing norms by perm ting ss than hree years tenure loans.

(viii) Provision for repatriation of export earnings wit i 360 day instead of the earlier 180 days.

(ix). Retention of entire export earnings in Export Earn s Foreign Currency Account (EEFA).

(x) Tax benefits on sales from domest ariff areas o Special Economic Zones (SEZs).

(xi) Reduction of proce ing f s, f wer phy ical inspections, same day licensing in all offices of DGFT (Director G n of Foreign Trade).

(xii) Common classifi ti n for DGFT and customs department to eliminate classification related isputes.

(xiii) No licen requi ment f r relocation of overseas industrial plants in India.

(xiv Indu ria wns such as Tirpur, Panipat and Ludhiana to get Market Access Initiative (MA funds, priority for infrastructure development.

(xv) Alloc ion to states from Rs. 350 cr. Assistance to States for Infrastructure Development (SIDE) fund linked to their export performance.

(xvi) Permission for captive power generation and duty free import of fuel for power generation, for exporters.

(xvii) Reduction in the eligibility for getting Export House status from Rs. 15 crores to Rs. 5 crores.

Balance of Payment : A statement of all transactions of a country with the rest of the world during a given period. Transactions may be related to trade, such as imports and exports of goods and services; movement of short-term and long-term investments; gifts, currency and gold. The balance of payments may be classified into current account, capital account, unilateral transfer account and gold account.

Balance of Trade : Part of the nation's balance of payments concerning imports and exports. A favourable balance of trade means that exports exceed imports in vlaue.

Invisibles : A term used to describe those items, such as financial series, i clud d in the current Balance of Payments accounts, as distinct from physically visibl Impo s and Exports of goods. Invisibles include government grants to overseas coun ie and subscriptions to international organizations, net payment for shipi servi s trav , royalties, commissions for banking and other services, transfers to or f m overseas residents, Interest, Profits and Dividends received by or from erseas re dents.

Foreign Exchange Reserves in India

1. The foreign exchange reserves of the count inclu thre important components : (i) Foreign Exchange Assets of RBI. (ii)Gold S ock of RB (iii) SDR holdings of the Government.

2. After 1991, Indian foreign exchange serves have rapidly increased due to various reasons which are as follows : (i) D vlauati of Rupee, (ii) Availability of loans from international institutions, (i) A ailabil y of f ign exchange from NRIs under various schemes, (iv) Increased foreig nvestmen (both direct and indirect), (v) Full convertibility of Rupee on curre account.

3. FEMA (Foreign xchange Management Act) came into force in July 2000. This FEMA has repla ed F reign Exchange Regulation Act., 1973 (FERA-1973).

4. Unde FEMA provisions related to foreign exchange have been modified and liberalised so s o s plify foreign trade and payments. FEMA will make favourable develop ent in oreign Money Market.

India's for gn trade

1. India's total e ternal trade (exports plus imports including re-exports) in the year 1950-51 stood at Rs. 1214 crore. Since then, this has witnessed continuous increase with occasional downturns.

2. India's share in total world trade has gone up from 1.1% in 2004—i.e. initial year of the Foreign Trade Policy (2004-09) to 1.5% in 2006.

3. During 2008-09 the vlaue of India's external trade reached Rs. 22,15,191 crore.

4. India's imports were highest from Asia and ASEAN (35.22%) followed by West Europe (21.17%) and America (7.78%), during 2005-06.

5. During 2009—10 India's imports reached to Rs. 13,63,736 crore from Rs. 13,74,436 crore in 2008—09, registering a negative growth of 0.78% in rupee terms. In US $ terms, imports reached a level of US $ 288.37 billion in 2009—10, registering a negative growth of -5.05%.

6. During 2009—10, UAE (13.4%) has been the most important count y to ex ort destination followed by USA (!0.9%), China (6.5%), Hong Kong (4.4%) Singapore (4.2%), Netherlands (3.6%), U.K. (3.5%), Germany (3%), Saudi A bia (2 %).

7. Asia and ASEAN accounted for 60.9% of India's total i p rts durin 2009-10 followed by Europe (19.2%) and America (10.2%). Among indi dual countries the share of China stood highest at 10.7% followed by UAE (6.8% Saudi A bia (5.95%), USA (5.9%).

8. During 2009-10, the share of Asia and AS AN regio comprising South Asia, East Asia, North East Asia, WAN A accounted for 53 93% of I dia's total exports.

9. Trade deficit decreased during 2009 0 to Rs. —5,18,202 crore as against Rs. -5,33,681 crore - during 2008-09. In Us $ te s also, trade deficit decreased to US $ 109.6 billion from a level of US 118 4 billi n durin 2008-09.

10. The share of Europe and America in India's exports stood at 21.56% and 15.02% respectively of which EU countrie (27) comprises 20.17%.

Trade Organisati ns

1. Intern tion Monetary Fund (IMF) was established on 27th December, 1945 on the basis of deci o t i the Bretenwood Conference and it started functioning w.e.f. 1st March, 947.

2. The tota member countries of IMF in 2002 were 183.

3. The function f IMF is to encourage financial and economic co-operation between member countries and to extend world trade.

4. International Bank for Reconstruction and Development (IBRD) was established in 1945.

5. IBRD alongwith other institutions is also called World Bank. The other institutions are International Finance Corporation, International Development Agency and Multilateral Investement Guarantee Agency.

6. Presently, it is helping member countries in capital investment and encouraging long-term balanced development.

7. General Agreement on Tariffs and Trade (GATT), came into being on 30th October, 1947 and started functioning from 1st January, 1948.

8. The principle of GATT was - equal tariffs policy, to remove quantit tive b n and disposal of business dispute in a democratic way.

9. On 1st January, 1995 the World Trade Organisation took o er the lace and position of GATT.

10. The Headquarter of WTO is in Geneva and the nu er of its ember countries in the year 2003 was 146. India is a founder member of it.

11. The India-ASEAN Trade in Goods Agre ment has me into effect on Jan. 1, 2010, though it was signed on August 13, 2009.

12. The signing of the India-ASEAN T de in Goods Agreement paves the way for the creation of one of the world's largest free tr de areas (FTA)—market of almost 1.8 billion people with a combined GDP of US $ 75 tri on.