Chapter - 3.1

Foreign Trade of India

Every country exports and imports with other countries of the world. This mutual trades is beneficial for both countries. By mutual trade countries are benefited through division of labour, specialization, large scale production and big markets. According to mercanlists a country should export only because it gives precious metal which makes country powerful and prosperous. According to Adam Smith, a country should export that commodity in which it has absolute advantage and should import that commodity in which there is absolute disadvantage. By doing so, both countries are benefitted. According to Ricardo a country should export that commodity in which the country ahs comparative advantage and should import that commodity in which the country has comparative disadvantage. Policy of protection of developed countries limits the benefits of free international trade.

India has been attached with international trade since ancient period. There was heavy demand of Indian garments, handcraft and spices in foreign countries. There was important change in it in colonial ruling period. In colonial period Indian handicraft and garments industries were completely destroyed. Britishers developed India as exporter of raw material and importer of finished goods as a big market. At the time of independence India was exporter of raw material and minerals. After independence India imported foodgrains, other necessary goods and techniques and capital equipments for development. Thus imports increased rapidly and exports did not increase which resulted into deficit in balance of payments.

Size of exports and imports in India:

During planning period size of Indian foreign trade increased very much due to increase both in exports and imports. If value of exports becomes more than value of imports, the trade balance is surplus (positive) and if value of exports is less than that of imports, trade balance becomes in deficit.

In 1950-51, value of merchandise exports of India was 1269 million dollar which increased upto 8486 million dollar in 1980-81 and 314405 million dollar in 2013-14. Table – 1 shows this information.

Table-1
Value of Indian Exports and Imports in Planning Period

(Million US Dollar)

Year	Export	Import	Trade Balance	% increase of exports	% increase in imports
1950-51	1269	1273	-4	24.9	-1.5
1980-81	8486	15869	-7383	6.8	40.2
2000-01	44560	50537	-5976	19.8	0.6
2013-14	314405	450200	-135795	4.7	8.3
2015-16	262290	381007	-118717	0.14	-10.59

Source : RBI, Handbook of Statistics on Indian Economy.

In 1950-51 value of Indian imports was 1273 million dollar which increased upto 450200 million dollar in 2013-14. Thus Indian imports increased about 350 times in the period of 1950-51 to 2013-14. Trade balance was negative in all the years except in 1972-73 and 1976-77. In 1950-51, trade balance was negative by 4 million dollar which became of 135795 million dollar in 2013-14. Table -1 shows that size of Indian trade increased with time. Increase in imports was more than increase in exports. Due to this reason size of negative trade balance continuously increased during whole planning period.

At the time of independence India imported jute due to partition of the country. In 2nd five year plan imports of capital equipments, machinery and technique increased rapidly because of more emphasis given to development planning of industrialization. But, these imports increased competitive capacity in Indian industries and thus exports increased. Due to increase in oil prices, Indian imports increased rapidly. After liberalization tariffs were reduced which increased imports rapidly. Import of precious metals is also a main item of Indian imports. Due to all these reasons Indian trade balance experienced deficit.

Composition of Foreign Trade:

Composition of foreign trade shows the items of exports and imports of a country. Composition of trade reflects the level of development of a country. Developing countries export mainly raw material, minerals and agriculture products because in these countries structure of manufacturing is weak. Structural changes in foreign trade take place along with development and thus share of manufacturing products in exports increases instead of raw material. Below given is the analysis of export composition and import composition.

1. Composition of Exports:

Before planning process jute, tea, cotton, garments, mica and magnese were the main export items of India. In planning period share of agriculture and mining product in total exports was decreased and that of manufacturing goods increased rapidly. In 1960 share of agriculture and related products in total exports was 44.2% which decreased to 13.7% in 2013-14. Share of alloy and minerals in total exports of India was 8.1% in 1960-61 which decreased to 1.8% in 2013.14. Share of manufacturing goods in total exports was 45.3% in 1960-61 which increased to 61.3% in 2013-14.

Table-2
Composition of Exports of India

(in %)

Good	1960-61	1980-81	1990-91	2013-14
Engineering Goods	3.4	12.33	11.9	19.8
Petroleum Product (with coal)	1.1	0.4	2.9	20.6
Precious Stone and Ornament	0.1	9.2	16.1	13.2
Chemical related product	1.1	3.3	6.5	13.2
Readymade Garments	0.1	8.2	12.8	4.8
Total Export (million dollar)	1346	8486	18143	314405

Source : R.B.I Handbook of statistics on Indian Economy.

Table-2 shows the share of different product groups in total exports of India in different years. Share of petroleum products in total exports was 1.1% in 1960-61 which increased to 20.6% in 2013-14. This happened due to petroleum refinery capacity of India. Share of engineering goods was 3.4% in 1960-61 which became 19.8% in 2013-14. Similarly, share of precious stones and ornaments also increased in the period of

1960-61 to 2013-14 from 0.1% to 13.2%. In 1960-61, shares of exports of jute and tea were 21% and 19.3% respectively which is 0.5% of both at present in total exports of India.

In 2013-14, category-wise main export items were as below:

(a) Share of agriculture and related products was 13.7% in total exports of India and the main items of export were tea, coffee, foodgrains, spices, cashew nut, fruits, vegetables, sea products, cotton etc.

(b) Share of manufacturing goods was 63.3% and items were leather and leather products, precious stones and ornaments, medicines, product of chemical metals, machinery and equipments, transport equipments, electronic goods, readymade garments, etc.

2. Composition of Imports:

Main import items of India at the time of independence were machinery, oil, foodgrains, pulses, cotton, vehicles, irongoods, equipments, chemicals, medicines, colour, cotton, cotton cloth, paper and writing material. Table-3 Shows the composition of imports of India.

Table-3

Composition of Import (in %)

Commodity Group	1960-61	1980-81	1990-91	2013-14
Petroleum Oil and Lubricants	6.1	41.9	25.0	36.6
Non-iron metals	4.2	3.8	2.5	8.6
Electronic Goods Non-electric Machinery	18.1	8.7	9.8	5.2
Pearl and Precious stones	0.1	3.3	8.7	5.3
Total Imports (million dollar)	**2353**	**15869**	**24075**	**450200**

Source: R.B.I., Handbook of Statistics on Indian Economy.

Table-3 shows structural change in share of main import items of India. The share of petroleum and lubricants was 6.1% in 1960-61 which became 36.6% in 2013-14. This is the main import item of India at present. Share of import of non-iron metals (mainly gold and silver) in total imports of India was 4.2% in 1960-61 and decreased continuously upto 1990-91 and then increased upto 8.6% in 2013-14. Share of electronic goods and non-electric machinery was 18.1% in 1960-61 and decreased upto 5.2% in 2013-14. In 2nd plan model we implemented Mahalanobish development model and due to this India imported machinery but after it India produced these items at home and these importers of this item group showed a fall in 2013-14.

According to item-groups following are the import items of India.

(a) Food items and related product:

Here foodgrains, pulses, cashew nut and edible oil are the import items and its share in total imports was 2.1% in 2013-14.

(b) Fuel

It includes the import of coal and petroleum.

(c) Capital goods:

Electric machinery and other machines, transport equipments, etc. are the main import items.

(d) In other items chemicals, pearl, stones, iron and steel, gold and silwar, business equipments and electronic goods are the import items of India.

In planning period import of food items decreased continuously which was 16.1% in 1960-61. At present India does not import food items. Imports of raw material, intermediate goods and manufacturing goods were increased rapidly due to petroleum, stones and pearl, etc. Import of capital goods was 31.7% in 1960-61 which decreased to 12.1% in 2013-14.

Direction of Foreign Trade:

Britain was the main trade partner of India before independence. India was a colony of Britain. Pattern of trade with Britain was decided with India in view of the British advantage. In 1950-51, America and Britain were the main trade partners of India. 42% of total exports and 39.1% of total imports of India were with these two countries. Trade partner countries of India are divided into 4 groups:

(i) Economic Cooperation and Development Organisation (OECD):

This group of countries includes European Union, America, Japan, Switzerland, etc.

(ii) Organisation of Petrolium Exporting Countries:

United Arab Emirat, Saudi Arab, Iran, etc. are the countries of this group.

(iii) Countries of Eastern Europe –

In this group Russia and other countries are included.

(iv) Developing countries:

This group includes China, Hongkong, South Korea, Singapore, Malaysia, etc.

Table – 4

Direction of Indian Exports (in %)

Country Group	1960-61	1990-91	2012-13
O.E.C.D. Countries	66.1	53.5	34.2
OPEC	4.1	5.6	20.8
Eastern Europe	7.0	17.9	1.3
Developing Country	14.9	17.1	41.5
Other Countries	8.0	2.9	3.5

Sources : R.B.I., Handbook of Statistics on Indian Economy

Direction of Indian Exports:

Share in total exports of India with OECD countries continuously decreased. This share was 66.1% in 1960-61. OECD countries were main parter of India in trade in 1960-61 but presently these countries are not the main trade partners of India. Share of OPEC in total exports of India was 4.1% in 1960-61 and in 1990-91 it became 5.6% but in 2012-13 it increased to 20.8%. Share in total exports of eastern European countries was 7.0% in 1960-61 which decreased upto 1.3% in 2012-13. Share of developing countries in total exports of India was 14.9% in 1960-61 which became 41.5% in 2012-13. After 1990-91, share of developing countries in exports increased very rapidly. 18.6% was the share of European countries in exports of India in 2013-14. In this year, 17.5% was the share of American continent in total exports of India. Contribution of Asian countries in total exports of India was 49.4. United Arab Emirat, China, Singapore, Hongkong, Saudi Arab, Iran and Japan were the countries of Asia. In 2013-14, America (12.5%), United Arab Emirat (9.7%), China (4.7%), Hongkong (4%) and Singapore (4%) were the main trade partners of India in exports.

Direction of Indian Imports:

Table-5 shows the direction of imports of India with the different country groups.

Table-5

Direction of Imports of India (%)

Country Group	1960-61	1990-91	2012-13
O.E.C.D. Countries	78.0	54.0	27.8

O.P.E.C.	4.6	16.3	38.6
Eastern Europe	3.4	7.8	1.8
Developing Countries	11.8	18.6	31.33
Other Countries	2.2	0.0	0.5

Source : R.B.I., Handbook of Statistics of Indian Economy

Direction of Indian imports have changed a lot according to 4 main country groups. 78% was the share of OECD countries in total imports of India in 1960-61 which decreased upto 27.8% in 2012-13. This share of O.E.C.D. countries decreased significantly. This share of O.P.E.C. was 4.6% in 1960-61 which increased upto 38.6% in 2012-13. The main cause behind this was the increasing bill of oil imports. Dependence on oil for energy and increasing international price of oil increased the oil imports rapidly. Share in total imports of India in 1960-61 was 3.4% of Estern European countries which increased upto 7.8% in 1990-91 and after it this share decreased to 1.8% in 2012-13.

Share of European Continent in Indian imports in 2013-14 was 15.8% where Germany, Belgium, U.K. and Switzerland were the mian exporting countries. Share of African continant in Indian imports in 2013-14 was 8.1% and that of American continent was 12.8% where U.S.A. and Venezuela were the main trade partners of India. Thus, it is clear that share of Asia continent in Indian import had been maximum as 60.7 in 2013-14 where China, Saudi Arab, United Arab Emirat, Iraq, Kuwait, Indonesia, Korea and Japan were the main trade partners of India.

Current Trends of Foreign Trade of India:

Due to economic reforms through liberalization and globalization imports and exports of India have been widely affected. After W.T.O. import tariffs were reduced and policy of liberalization was adopted. Trade interaction of Indian economy with world economy changed significantly. In last year, Indian imports and exports had increased rapidly. Following are the recent trends in foreign trade of India.

(a) Increase in Size of Foreign Trade of India:

In 2004-05, foreign trade of India (merchandise) was 195.1 billion US dollar which increased upto 764.6 billion US dollar. Place of India among main importing countries was 23rd in 2004 which became 12th in 2013. In the same way the place of India among main exporting countries of world was 23rd in 2004 which became 19th in 2013. According to W.T.O., share of India in total world imports was 1% in 2004-05 which became 2.5% in 2013-14 and the share of India in total world exports was 0.8% in 2004-05 and 1.7% in 2013-14 As ratio of gross domestic product foreign trade of India was 29% in 2004-05 and 41.8% in 2013-14.

(b) Increase in Exports:

Value of Indian exports was Rs. 375340 crore in 2004-05 which increased to Rs. 1905011 crore in 2013-14. Exports increased by 27.9% in 2004-05, by 28.2% in 2008-09 and by 34.5% in 2010-11. As ratio of gross domestic product Indian exports increased by 12.1% in 2004-05 and 17% in 2013-14. Main export items, of India have been petroleum products, precious and semi-precious stones, gold and precious ornaments.

(c) Increase in Imports:

Total value of imports was Rs. 51065 crore in 2004-05 and Rs. 2715434 crore in 2013-14. Imports increased rapidly after 2004-05. Among these 10 years, imports increased by more than 30% in last 5 years. 39.5% was the growth of imports in 2004-05 and 39:3% in 2011-12. Main import items had been petroleum oil and lubricants, gold, precious gems and semi-precious stones. In 2013-14, due to devaluation of rupee and restriction on gold import imports increased by only 1.7%.

(d) Increase in Trade Deficit:

According to Table – 6 trade deficit of India was Rs. 125725 crore in 2004-05 which became Rs. 1034844 crore in 2012-13. Size of trade deficit increased due to more growth in imports than growth in exports.

Table – 6
Size of foreign Trade of India

(Rs. Crore)

Year	Export	Import	Trade Balance	% Change in Exports	% Change in Imports
2004-05	375340	501065	(-) 125725	27.9	39.5
2005-06	456418	660409	(-) 203991	21.6	31.8
2006-07	571779	881515	(-) 309736	25.3	33.5
2007-08	665864	1012312	(-) 356448	14.7	14.8
2008-09	840755	1374436	(-) 533681	28.3	35.8
2009-10	845543	1363736	(-) 518202	0.6	-0.8
2010-11	1136964	1683467	(-) 546503	34.5	23.4
2011-12	1465959	2345463	(-) 879504	28.9	39.3
2012-13	1634318	2669162	(-) 1034844	11.5	13.8
2013-14	1905011	2715434	(-) 810423	16.6	1.7
2015-16	1716278	2490198	(-) 773810	-9.49	-9.02

Source : Economic Survery, Finance Ministers, GOI : 2015-16

(e) Change in Direction of Trade:

It is clear from Table-7 that in 2013-14, as compared with 2004-05 share of Europe decreased both in exports and imports. Share of Europe in exports was 23.3% in 2004-05 and decreased to 19.0% in 2010-11. In the some way share of Europe imports was 21.6% in 2004-05 and decreased to 18% in 2011-12. Share of African countries in exports and Imports increased. Similarly share of Asian countries both in imports and exports of India increased.

Table -7

Direction of Trade of India (in %)

Area	Export		Import	
	2004-05 to 2007-08	2010-11 to 2013-14	2004-05 to 2007-08	2010-11 to 2013-14
Europe	23.3	19.0	21.6	18.0
Africa	7.8	8.9	6.3	8.5
America	18.9	16.6	10.3	11.0
Asia	48.5	50.2	48.9	60.2

Service Trade of India:

In the trade of commercial service share of India in world export in 2012 was 3.4% with 6th place as the largest exporting country and this share in world import was 3% with 7th place as the largest importing country. From 2003-04 to 2007-08 service export growth rate was 35.4% and was 8.3 in the period 2008-09 to 2012-13.

Table-8 shows the service trade of India.

Table- 8
Service Trade of India (in %)

Commodity Group	Share (%)		CAGR 2002-04 to 2013-14
	2002-03	2013-14	
Travel	16.0	11.8	16.6
Transport	12.2	11.5	19.1
Insurance	1.8	1.4	17.2
GNIE	1.4	0.3	4.8
Miscellaneous	68.6	75.0	20.8
Software Service	46.2	45.8	19.7
Non-Software Services	22.4	19.1	22.7
Business Services	3.9	18.8	38.3
Financial Services	3.3	4.4	23.1

Communication Services	3.9	1.6	10.4

Source : Economic Survey : Finance Ministry, GOI : 2013-14

State-wise Exports in India :

Table-9 shows the state-wise exports in India in 2013-14.

Table-9

State wise Exports in India (million US dollar)

State	Value of Exports in 2013-14	Share (%)
Gujarat	73498	23.5
Maharashtra	71661	22.9
Tamilnadu	26937	8.6
Karnataka	17821	5.7
Andhra Pradesh	15353	4.9
Uttar Pradesh	13309	4.3
Haryana	10657	3.4
West Bengal	10496	3.4
Delhi	9329	3.0
Punjab	7063	2.3
Rajasthan	5915	1.9
Madhya Pradesh	4374	1.4
Kerala	4285	1.4
Orissa	4005	1.3
Total Export	**313610**	**100**

Source: Economic Survey, Finance Ministry, GOI: 2013-14.

Among states of India, Gujarat is on the top in exports value of Rs. 73498 million US dollar followed by Maharashtra, Tamilnadu and Karnataka are at the 3rd and 4th places. On the basis of share in total exports of India in 2013-14, share of Gujarat is 23.5% and that of Maharashtra is 22.9%. The least share in exports has been recorded of Orissa as 1.3%.

Foreign Trade Policy of India:

The best situation of trade policy of a country is that one in which exports earn sufficient foreign currency to finance imports of the country. For this purpose trade policies are classified as import restrictions, import substitution, import libalisation and export promotion. Under the policy of import restriction, imports of non-necessary goods are restricted so that availability of foreign currency can be maintained. India started extensive industrialization programme. For this capital machinery and techniques were imported. Foreign currency was limited so total imports were classified into 3 categories:

(i) those goods whose imports were completely prohibited or restricted. These goods could not be imported.

(ii) those goods which could be imported by government agencies only (as State Trade Corporation, etc.)

(iii) those goods which could be imported under open general license.

Policy of import substitution means that policy in which imported goods from foreign countries are substituted by the domestic production. Thus policy of import substitution results into reduction of imports and thus saving of foreign currency. This policy develops self reliance. This policy was implemented in three stages :

(i) Import substitution of consumption goods,

(ii) Import substitution of capital goods, and

(iii) Import substitution of technology. As result of this policy, the emphasis was given to domestic production of metals, machines and vehicles. As result of import restriction and import substitution policies imports were unnecessarily delayed, imports were delayed due to licensing process and there was complicated administrative process also. Due to all these causes cost of production was high and thus competitive capacity of industries decreased. Exports could not increase in sufficient quantity.

Since the decade of 1980, import liberalization policy was adopted. Under this policy quantitative restrictions on imports were removed. Open general license schedule was expanded and concessions were given for expert promotion. Import liberalization and export promotion were recommended by Alaxander Committee (1978), Tondon Committee (1982) and Hussain Committee (1984).

1. Efforts for Import Liberalization:

Following steps were undertaken in the direction of import libralisation:

(a) Imports were libralised for exports and concessions were given to exporters for providing raw material. Concessions were given in license to registered exporters. Under Advanced Licensing Policy those exporters were given permission for imports for one year who earned foreign currency more than Rs. 10 crore in one year.

(b) For industrialization supply of raw material and capital goods were supposed to be necessary. Thus for importing these capital goods these were included in open general license. Except this, permission to import raw material was also given.

(c) Import facility was liberalized for export house, trade house, star trade house and super star trade house. Exporters who exported goods of Rs. 12.50 crore per year in last three year were named as export house. If the value of total exports was upto Rs. 62.50 crore per year in last three years, those exporters were named as trade house and for exports of Rs. 312.5 crore per year in last three years the exports were named as star trade house. Exporters whose value of exports was Rs. 925 crore per year in last three years were names as super star trade houses.

(d) Import of technology was libralised. Technology Development Fund was generated to assist in the work of imports of technology and services of exports. In this fund foreign currency was provided for the imports of technology.

(e) Conditions were removed for imports through government agencies. List of goods to be imported through government agencies was made short.

2. Efforts for Export Promotion :

In the initial years of development it is not possible to increase exports rapidly. According to economists demand for exports of developing countries is inelastic and terms of trade are not in favour of these countries. Due to these factors the exports of developing countries do not increase rapidly. High production cost, inferior quality, increasing domestic demand and lack of sutable export policy were the reasons that India could not increase exports in first three five year plans. In 1966, rupee was devalued by 36.5% in relation to gold which reduced imports and increased exports of India.

In mid of 1980s, there were two important changes in export policy (i) many concessions and incentives, were declared, and (ii) efforts were made to make exports production and industrial structure oriented. Thus, before this export policy whatever was produced was exported and after this policy those goods had to be produced for which there is export demand.

Following were measure adopted for export promotions:

(a) Establish Organizations for Export Promotion :

For different aspects of increasing exports different organizations were established so that exports could be increased. These were:

(i) Establishing Boards:

Board were established according to goods for coffee, tea, rubber, spices, tobacco etc. for development and export purposes.

(ii) Export Promotion Councils:

Presently there are 10 export promotion councils in India which work a self governed institution.

(iii) Central Advisory Council:

This council advises government on export-import policies and their implementation.

(iv) Indian Export Organisation Union:

This union aims to coordinate and make adjustments in the working of different export organizations.

(v) Agriculture and Related Food product :

Export Development Authority:

This institution works related with exports of agriculture products and food products.

(vi) Indian Export Promotion Organization :

This organization coordinates between different goods, their exports, their markets and their buyers. It organizes fairs and exhibitions in foreign countries to increase Indian exports.

(vii) Exports house, trade hosue, star trade house and super star trade house were established.

(viii) Indian Packaging Institute :

This institute takes certain steps regarding packing of exportable goods so that the product remains safe and in attractive packing.

(ix) Indian Export Credit and Guarantee Corporation :

This corporation gives guarantee, credit and insurance facilities to exporters.

(x) Export Investigation Council had been established to pre investigate the goods being exported.

(xi) Government agencies were established for exports. State Trade Corporation and Mineral and Metal Trading Corporation were established. State trading corporation works for export of garments, manufacturing products, coffee, cement, salt, etc. Mineral and Metal Trading Corporation looks after the export of minerals and metals.

(b) Schemes for Export Promotion:

Following policies were implemented for better condition of production for increasing exports, tax concessions, better infrastructure, export credit, etc.

(i) Cash Compensatory Scheme:

This scheme was launched in 1996. Under this scheme cash compensation is given to exporters for tax paid on raw material used in the production of exportable goods.

(ii) Duty Drawback Scheme:

Under this scheme tax on imported raw material used in the production of exportable goods are returned to exporters. This is the step to be taken to maintain the competitive capacity of exports.

(iii) Import Replenishment Scheme :

This is the scheme in which imports, which are necessary for exports, are made available easily. Under this scheme exporters are permitted to import which are prohibited. Exporters can also import that goods which are not available in country.

(iv) Export Promotion Zones and Export Oriented Units:

Aim behind establishment of these zones was to provide atmosphere of free trade for production of exportable goods so that these production units can increase their competitive capacity. Total production of 100% export oriented production units is exported. These units got many exemptions in many taxes. These units could import raw materials, capital goods, techniques without import duty.

(v) Blanket Exchange Permit Scheme :

This scheme was implemented in 1987 for export promotion under which there is a concession to exporters that they can use a fixed percentage of export income for export promotion.

(vi) Fiscal Concessions for Exports:

Here, tax paid on inputs used in the production of exportable exports are returned back. Less tax is paid on export income also and in some cases tax on export income is exempted.

(vii) Rupee Devaluation and Convertibility:

Rupee was devaluated by government of India in 1991. This devaluation was 18-19% in relation of 5 main currencies. In 1992-93 liberalized exchange rate system was implemented. Under this system 40% of export income had to be given to government at the government exchange rate by the exporter and balance 60% export income could be converted at the market exchange rate. Since 1994, convertibility was also implemented for current account.

(viii) Agriculture Export Zones:

These zones were established in 2001 for export promotion of agricultural products. Here arrangements were made to decide that which good was to be exported and which good was not.

(ix) Handicraft Special Economic Zones:

These zones were aiming to promote the exports of handcraft products.

(x) Important zones were selected for 5 exports of agriculture, handcraft, gems, leather and footwear.

(xi) Free Trade and Warehousing Zone:-

In Export Import Policy of 2004-09 free trade and warehousing zone was established in Rs. 100 crore and 5 lakh square meter area so that necessary infrastructure can be established for exports in this area.

(xii) Process Simplification :

In 2004-09 Export-Import Policy following steps were taken for the process simplification –

- Number of forms to be filled in by exporters reduced.
- Service tax on exportable goods removed.
- Exemption of bank guarantee to exporters whose total sales were upto Rs. 5 crore.
- Import of old machines were allowed.

(xiii) Concessions and Exemptions:

Import duty reduced to 10% for infrastructure development at seaports and airports. Many concessions were given to entertainment, communication and information technology. For developing infrastructures in special economic zone, exemption in tax was given for 10 years.

(xiv) Special Economic Zones (SEZ):

The policy of establishment of SEZ was formulated in 2000 to promote exports. In these zones, exporters were made available the world level infrastructure facilities, there was interferenceless atmosphere, permissions had been given for direct foreign investment, permission of foreign commercial borrowing was given and producing units in these zones were exempted from sales tax and income tax. In 2012-13, SEZ area exported goods of Rs. 476159 crore and 1074904 employment opportunities were created. Total 3589 productive units were working in SEZ. The establishment of SEZ was mainly aimed to provide free economic atmosphere to exporters like in China. Problems in land acquisition, administrative complications, lack of proper spirit and objective by SEZ founders, etc were the main problems concerned with SEZ.

All the above measures adopted for export promotion are important. Promotion of development of domestic technology for sustained growth in exports, availability of world level infrastructural facilities and strong macro economic situation of economy are the conditions for success of SEZ.

Foreign Trade Policy 2009-14:

The objective of this policy was to double the exports of goods and services. Short run objectives of this policy were: to control the decreasing tendency of exports, to provide additional help to export areas affected by depression and to reestablish the export growth. Its long run objective was to double the Indian share in world trade (1.64% in 2008 to 3.28% in 2020). Following were the main provisions of this trade policy:

(a) 26 new markets were included in Focus Market Scheme when 16 markets are in Latin America and 10 in Asia Osiyana.

(b) Focus market incentive was increased to 3% and focus product scheme incentive increased to 2%.

(c) Permission of import (without fee) of capital goods for engineering, electronic, chemical, garments, plastic, handcrafts and leather product under Export Promotion Capital Goods Scheme.

(d) Permission of sale in domestic tariff area upto 90% of total production to export oriented units.

(e) To reduce cost of process and to simplify the process.

(f) Implementation of single window scheme for exports of perishable agricultural products.

(g) Organsiation of Inter Departmental Committee from the point of view of availability of dollar credit to exporters.

(h) Concession to exporters to carry goods of value of upto 5 lakh dollar with then for taking part in exhibition in foreign country.

A complementary policy of the foreign trade policy 2009-14 was declared in 2013 in which the required land area for SEZ was decreased upto 500 hectare. Under Zero Tariff two schemes were implemented –

(i) Merchandise Export of India Scheme and Service Export of India Scheme, (ii) Percentage Interest Concession Scheme was implemented for textile and engineering areas.

Foreign Trade Policy 2015-20 :

Foreign Trade Policy 2015-20 provides growth of export of goods and services, employment creation and availability of infrastructure to increase value addition in country. This policy aims to increase the present value of exports (Rs. 466 billion dollar) to 900 billion dollar upto 2019-20. The aim regarding share of exports, the policy proposes to increase the share of Indian exports in world exports from 2% to 5%. This policy reflects the 'Make in India', 'Digital India' and 'Skill India' of Prime Minister, Shri Narendra Modi. Main conditions of the New Trade Policy are as below:

1. The 'Service Export Scheme' is for increasing exports of special services. These both schemes (Merchandise Export of India Scheme MEIS and Service Export of India scheme- SEIS) have been substituted for previous many plans. Benefits of these both schemes, MEIS and SEIS will be available in SEZ also. E-commerce of handicraft, books etc. will also get the benefits of these both schemes.
2. For increasing domestic manufacturing export obligation has been reduced by 25% under the new trade policy.
3. Under MEIS, support will be available to agriculture and rural industries by 3% and 5% respectively and high level support will be issued to processing and packaging of agriculture and food products under MEIS.
4. Campaign will be organized for increasing branding exports of goods in which India has traditional efficiency.
5. Benefit of SEIS will be applicable on "service providers located in India" rather than Indian service providers.
6. Duty Credit Script will independently be transferable and it will be used in payment of custom duty, excise duty and service tax.
7. Under Export Promotion Capital Goods Scheme (EPCGS) export obligation has been reduced to 75% for domestic recovery.
8. Online process will be for digital signature.
9. Interdepartmental consultation will be online for issuing different licences.
10. Legal period for export authorization will be 24 months in place of 12 months.
11. State governments will be consulted for export promotion continuously.
12. There will be high level support to exports of defence products, agriculture products and environment friendly products.

Suggestions for Exports Promotions:

Trade deficit of India was Rs. 125725 crore in 2004 which increased upto Rs. 1034844 crore in 2012-13. For trade deficit rapid growth of exports is required. Main challenges of India in reference of export growth at present are weak demand for importable goods in developing countries, rapid growth of manufacturing capacity of China, political instability in Iran and middle east and growing concern for climate changes (Economic Survey 2011-12). India still has weak infrastructural facilities in comparison of countries of world and due to this cost of exports is higher which makes India's competitive strength weak. On the other hand, paper process for exports in India is still very complicated which delays the exports. India should make following efforts for increasing exports.

1. Need of Better Infrastructural Facilities –

Road, railway, waterways, electricity, etc. need to be structured properly. This needs more investment. These facilities produce more in less time and with lower levels of cost.

2. Better Availability of Inputs for Export Industries:

Raw material, intermediate product, and labour. capital inputs should be supplied in time and at lower cost. Interest rates on capital should be lower as in developed countries. Complicated labour laws, high interest rate, higher cost, delay in availability of raw material, etc. affect Indian exports adversely.

3. Search of New Markets for Indian Goods:

It is not suitable to depend on some countries for exports. For example, 90% software export of India go to America and European Union. There is need to advertise Indian goods in new markets and to diversify exports (according to good and area) so that exports can increase and uncertainly can decrease.

4. Removal of Trade Restriction by Developed Countries:

Developed countries should not adopt the protectionist view towards exports of developing countries. Dispute settle down system of W.T.O. even could not solve this problem. Anti dumping action of U.S.A. and visa related restrictions of U.K. are some examples since last some time. This behavior of developed countries should be changed in favour of developed countries.

5. Better Credit Facility:

There should be the system of better credit facilities and imports product fee. These measures can promote exports. Tax reforms should also be implemented in the country.

6. Increasing Production Rapidly :

Production of primary and manufacturing products should be increased. This increase should be export based. Domestic consumption of exportable should be controlled so that export surplus can be available. Export surplus is the excess of production over consumption. Bilateral trade agreements should be preferred with W.T.O. and regional trade organizations. These all efforts will increase exports.

Concepts of 'Swadeshi':

Today the word swadeshi is generally used only for swadeshi product or use of domestic production is swadeshi. In the period of globalization where countries are coming nearer to each other the use of the word 'swadeshi' in this sense keeps its meaning limited. This is so because this concept has not been understood properly. To understand the meaning of 'swadeshi' we have to concentrate our attention on these lines of Gandhiji who described in 'Mere Sapano ka Bharat' (India of My Dreams). These lines are, "meaning of the spirit of ' Swadeshi' is our that spirit which teaches us to use and serve our nearby area by leaving the distant ones. For example, according to this definition it will be said about the religion that I should follow the religion of our ancestors. In this way we will use our adjacent religious atmosphere. If I get any defect in it, I should remove that defect and thus should serve it. In the same way, in the area of politics I should use the local institutions and these should be served by removing any defects of these institutions. In case of wealth, I should use those goods only which have been produced by neighborhood or locally and by removing the defects of there local industries I should make them more perfect and capable them and, in this way, should serve them. I feel that if we adopt swadeshi in our practical life, the golden period of humanity can be achieved."

In this sense, swadeshi is a way of working in which the spirit of selfness is associated with every aspect of life. It is not a fixed way of working of ours but it has its changing nature according to the favourable changes in circumstances of country and society. It is not a reaction against the imitation of the west but it keeps us with precautions from this imitation. According to Pandit Deendayal Upadhyay, way of Western countries about standard of living, conversation, eating drinking and other ways of life came from the western knowledge. We have to decide that what is correct and what is wrong. If this is not suitable for us, it is better to abandon its attachment.

During freedom movement swadeshi became not only a symbol against foreign ruling but it appeared as an effort for the solution of the bad economic condition of the country also. After the publication of the book 'Economic History of India' by R.C.Dutt, Swadeshi was considered as the solution of bad economic condition of our country. Under swadeshi contains the interest of individual, society, and country. Maharishi Arbindo says that swadeshi means the recognition of the will power and the honor of our nation.

Readiness of sacrifice by society for the nation is reflected into swadeshi.

According to Gopal Krishna Gokhale thought of swadeshi teaches us to sacrifice for the motherland, country becomes prosperous and the spirit of brotherhood increases. This concept of swadeshi is prevailing in India since very ancient period.

Self reliant was our objective under five year plans but its sense was the freedom from foreign assistance. Due to this objective India is self-reliant today in foodgrains and machinery.

In the era of gloablisation, global impact is increasing rapidly. International institutions are also contributing in it. It is necessary to adopt swadeshi to keep our nation and society safe from the effects of globalization.

Important Points:

- Export and import of a country are necessary with other countries in present time. It increases the rate of growth. Countries are benefited by trade through division of labour, specialization and benefits of big market.
- Size of merchandized exports and imports of India continuously increased with countries of the world but after independence in most of time, value of merchandise imports increased more than the value of merchandise exports. Due to this size of deficit in trade balance of India increased continuously.
- Share of manufacturing goods in merchandise exports of Inida has increased and that of agriculture and minerals has decreased. This change is according to the characteristics of growth.
- In merchandise imports of India, import of petroleum product increase most rapidly. Due to import liberalization, rapid increased in prices of imported goods than prices of exported goods the trade deficit increased rapidly.
- In Indian imports the share of oil exporting countries is more and in exports the share of developing countries is more.
- Many plans and policies were implemented to increase exports in which new trade policy (2015-20) has been declared as the latest new policy.

Questions For Exercise

Objective Type Questions:

1. The correct statement in reference of foreign trade of India in 2013-14 is –

   (a) Price of merchandise exports was more than that of imports.

   (b) Price of merchandise imports was more than that of exports

   (c) Price of merchandise imports was equal to that of exports

   (d) None of the above ( )

2. In 2013-14, the total value of Indian exports (billion U.S.Dollar) was

   (a) 314 (b) 450

   (c) 135 (d) 270 ( )

3. Main item of Indian imports at present is,

   (a) Electronic Goods

   (b) Pearl and precious stones

   (c) Petroleum products

   (d) Non-electrical machinery ( )

4. The product group having largest share in Indian exports at present is-

   (a) Agricultural Products

   (b) Mineral Products

   (c) Manufacturing Goods

(d) None of the above ( )

5. The main import partner country group at present is-

   (a) OECD countries

   (b) O.P.E.C

   (c) Eastern European Countries

   (d) Developing Countries ( )

6. The country group to which India exports most is-

   (a) O.E.C.D Countries

   (b) Eastern European Countries

   (c) Developing Countries

   (d) O.P.E.C. ( )

7. According to W.T.O., the share of India in world exports in 2013-14 was-

   (a) 0.8% (b) 1%

   (c) 1.7% (d) 2.5%

8. The export promotion scheme of India was –

   (a) Cash compensatory scheme

   (b) Duty Drawback Scheme

   (c) Import Replenishment Scheme

   (d) All of the above ( )

Very Short Answer Questions:

1. Write the value of merchandise import, export and trade balance of India in 2013-14.
2. Write name of 5 top importing goods of India at present according to value.
3. Write name of any two country groups that are the main import partners of India.
4. Write name of any two country groups that are the main import partners of India.

Short Answer Questions :

1. What is meaning of Cash Compensatory Scheme ?
2. What is Merchandise Export of India Scheme (MEIS) ?
3. What is Export Promotion Capital Goods Scheme ?
4. Name the main schemes of export promotion.

Essay Type Questions:

1. Write the change in structure of merchandise export and import of India.
2. Write the direction of merchandise export and import of India.
3. Write an article on trends of foreign trade at present in India.
4. Give the details of main provisions of New Trade Policy (2015-20) of India.
5. What is the concept of Swadeshi. Write an article.

Answer to Objective Type questions:

(1) b (2) a (3) c (4) c (5) b (6) c (7) c (8) d

Reference Books:

1. Economic Survey : 2014-15.
2. Indian Economy, Mishra and Puri, Himalaya Publication.
3. The Indian Economy, I.C. Dhingra, S.Chand and Sons, New Delhi.
4. Indian Economy, L.N. Nathuramka.