International Journal of Advanced Research in Commerce, Management & Social Science (IJARCMSS)
ISSN : 2581-7930, Impact Factor : 5.260 , Volume 03, No. 03, July - September, 2020, pp 83-88

A STUDY ON FOREIGN TRADE POLICY OF INDIA

Dr. Bikram Kumar Singh*

ABSTRACT

After independence an economy which embark on a programme of development is required to extend its production capacity at a fast rate for which imports of machinery and equipment which cannot be produced in the initial stage at home are essential because such imports help to create new capacity of production. These imports are vital for a developing country. But at the same time it is essential that what we might do is not to reduce or destroy the trade connection we had before with the European countries but to build up new connections in other areas so that the existing trade connections that we have in the European areas would not be so large a proportion of our total foreign trade. Undoubtedly, due to a cute shortage of foreign exchange, extensive borrowing from foreign countries and international institution was necessary to overcome the balance of payment problem which can be managed by increasing foreign trade, steadily. India has a great potential for increasing its foreign tread with Asian countries because the Indian manufacture are readily acceptable in these countries. Similarly. India can import raw materials for her growing industries from these relatively less developed regions. Although India's foreign trade has become much more diversified and excessive, dependence on OECD countries has declined. However, with the developing counters of Asia there is an improving up trend both in exports and imports. The only concern is that India has to become more and more liberal.

Keywords: *Foreign Trade Policy, FDI, Economy, Export, Import.*

Introduction

Advanced countries used their trade policy to(A)restrict imports and provide a market for their own industries so that they develop rapidly and(B) promote their exports so that their expanding industries could compete in foreign market. Whereas, India formulated its trade policy, after independence. The trade policy was a part of the general economic policy of development. On the import side, India has been in a disadvantageous position of producing and selling almost every commodity at a low price. It was thus essential to project domestic industries and to promote industrial development. Since Independence, the government of India has broadly restricted foreign competition through a judicious use of import licensing, import quotas, import duties and in extreme cases, even banking in ports of specific goods. India adopted the Mahalanobis strategy of economic development since the second plan, which could:

- Banning or keeping to the minimum, the imports of non essential consumer goods
- comprehensive control of various items of imports
- liberal import of machinery, equipment and other developmental goods to support heavy Industries based economic growth, and
- Create favourable climate for the policy of import substitution.

---

* M.Com, Ph.D., Assistant Professor, Department of Commerce, Tarar College Tarar. T.M. Bhagalpur University, Bhagalpur, Bihar, India.

On the export side, India's policy was to pay for its essential imports and to minimize dependence on foreign goods. For the expansion of exports it was realized that the market for many goods within India may not be adequate to absorb the entire domestic production and hence a search for markets elsewhere was necessary. The Indian government has been doing a lot to promote exports through setting up trading institution and through fiscal and other incentives which began since the second plan period to overcome the foreign exchange crisis.

Import and export policy of the Indian government attempt to achieve the following objective as:

- To provide further impetus to exports,
- To provide support to the growth of indigenous endoergic,
- To provide for optimum utilization of the country resource endowments, especially in man power and agriculture,
- To facilitate technology up- gradation with special emphasis on export promotion and energy conservation.
- To provide a stipules to those engaged in exports in particular, to manufacturing units contributing substantially to the export effort and 6 to effect all possible savings in import.

Thus, it is clear that the purpose of trade policy has been to stimulate economic growth and export promotion via import liberalization. The first major attempt at liberalization was made by the Rajiv Gandhi Government but unfortunately export declined. The Government, therefore, decided that while all essential imports like pulses, fertilizer and edible oil should be protected; all the imports should be linked to exports by enlarging and liberalizing the replenishment license system. During 2004 the government aimed at doubling India's percentage share in global merchandise trade. Beside this, the service sector was also expected to increase its share in export.

The key strategies to achieve these objectives were:

- Abolishing cash compensatory support
- Creating an atmosphere of trust and transparency
- Simplifying procedures and bringing down transaction costs.
- Adopting fundamental principal that duties and levies should not be exported, and
- Identifying and nurturing special focus areas to facilitate development of India as a global hub for and in manufacturing, trading and services. Ultimately, India must reach the stage of positive bade to almce, rather than develop economy with burgeoning trade deficit.

Foreign Trade Policy (2015-2020)

Some high lights of the policy are as follows:

- **Merchandise Exports from India Scheme (MEIS)**
  - Earlier there were 5 different schemes which have been merged in to a single scheme namely Mahalonive Export from India scheme (MEIS) and there would be no conditionality attached to the script issued under the scheme.
  - Reward to expert for notified goods to notified markets model 'MEIS' shall be payable as percentage of realized fob value (in free foreign exchange)
- **Service Exports from India Scheme (SEIS)**
  - Served from India scheme (SFIS) has been replaced with Service Exports from India scheme (SEIS). SEIS shall apply to "service provider located in India instead of India service providers. Thus SEIS providers for rewards to all service providers of notified services, which are providing services from India, regardless of the constitution or profile of the service provider.
  - The rate of reward under SEIS would be based on net foreign exchange earned.

Trade Facilitation and Ease of Doing Business

On line filing of documents/ application and paperless trade in 24 environment. Direct General of Foreign Trade already provides facility of on line filing of various applications under FTP by the Experts / importers. However, certain document like certificates issued by chartered Accountants, company secretary/cost Accountant etc. have to be tiled in physical forms only. In order to move further towards paperless processing of reward schemes, it has been decided to develop on online procedure to upload digitally signed document by chartered Accountant/ company secretary/ cost Accountant.

Henceforth, hardcopies of applications and specified documents would not be required to be submitted to RA. As a measure of case of doing business, landing do cements of part consignment as proof for notified market can be digitally up loaded in the following manner:

- Any exporter may upload the scanned copy of Bill of Entry under his digital signature.
- Status holders falling in the category of three star, Four star or Five star Export House may upload scanned copies of documents.

On line inter ministerial consultation:

It is prepared to have online interred ministerial Consultations for approval of expert of SCOMET items, norms formation, Import Authorizations, Export Authorization, in a phased manner, with the objective to reduce time for approval. As a result, there would not be any need to submit hard copies of documents for this purpose by the exports.

E-Commerce Exports

- Goods falling in the category of handloom products, books, periodicals, leather footwear, toys and customized faction garments, having FOB value up toRs. 25000 per consignment (finalized using e commerce platform) shall be eligible for benefits under FTP. Such goods can be exported in manual mode through Foreign post offices at New Delhi, Mumbai and Chennai.
- Export of such goods under courier Regulations shall be allowed manually on pilot basis through Airport at Delhi, Mumbai and Chennai as per appropriate amendment in regulations to be made by Department of Revenue Department of Revenue shall fast track the implementation of FDI mode at courier terminals.

Quality Complaints and Trade Disputes

- In an endeour to resolve quality complaints and trade disputes between exporters and importers a new chapter has been in corporate in the Foreign Trade policy.
- For resolving such disputes at a faster pace, a committee on Quality complaints and Trade Disputes (CQCTD) is being constitutes in 22 offices and would have been members from EPCs / FIEOs / APEDA/EXs.

Foreign Direct Invesment (FDI)

The economic policy 1991 formulated a radical inching in the structure and direction of Indian Economy. The objective was to obtain higher economy growth rate, reduce the annual rate of inflation and reburial foreign exchange reserves. Finally on September 14th2012 the government of India opened the flood gates and allowed FDI in quotation up to 49 percent, in broadcast sectored upto 74 percent in multiband retail upto 51 percent, in single brand retail up to 100 percent

Our economy is a mixed economy .we has nationalized bank as well as private bank. We have public sector units and the private sector units. We have organized and unorganized business. But fora higher growth of an economy the need of both typhoid investment, foreign and inland is necessary.

Foreign Direct investment (FDI means investment by foreign company in India according to IMF and OECD, direct investment reflects the aim of obtaining a lasting investment by a resident entity of one economy (direct investor) in an enterprise that is resident in another economy (the direct investment enterprise)

In other words, foreign investment refers to investments made by the residents of a country in the financial assets and production processes of another country; foreign investment provides a channel through which countries con gain access to foreign capital. India has the basic ingredients to attract which larger foreign direct investment. Its vast domestic market, low cost of production base along with the vailabibily of soiled labour, adequate repatriations facilities and a good legal system have placed the country ahead of several other for foreign investors.

India has been rapidly changing from a restrictive version to a liberal one. India now continues of rank as the second most attractive FDI destination between China at number one and the United states. FDI being a leading source of external finance plays on important role in national development. It is often seen as drivers of economic development know how, jobs and excess to new markets.

During 2010 the inflow into India $ 24.15 billion which grew to $36.5 billion in 2011. At the time when the global economy was passing through a severe crisis, it was the FDI which played an important role in economic development by promoting productivity growth and export of India

Impact of FDI in Retail

Indian market has high complexities in terms of a wide geographic spread and destined consumer preferences varying by each region necessitating a need for localization even within the geographic zones.

The retail sector of India is vast and has huge potential for growth and development, as the majority of the constituents are unorganized. However, in spite of recent development in retailing and its immense contribution to the economy, and about 94.5 percent of its business being run by unorganized retailers the retailing continues to be, the least evolved industries by generating only 14 percent of Indian GDP.

The retail sector is known as one of the pillars of the Indian economy. The investment in FDI is on increase and has emerged as one of the most appealing investment areas for foreign investment. The introduction of foreign capital by the investors has been successful in bridging over thaw gap between requirement of retailers and retail sector.

India population is second largest country in the world. it is not just the government of India which claims to roll out some 10 million new jobs but also the corporate India electives that FDI will revolutionize the employment secondary in retail sector.

Impact of FDI in Agriculture

Agriculture is the backbone of Indian economy. nearly 60% of our population depends in on agriculture. India is the second largest producer of fruits and vegetable but it is sad fact that it has verybuited integrated weld chain and storage facilities. Many experts believes that an agenized retailer not only adds value to agricultural chain but also helps to reduce wastage, provide storage and by erecting dependable supply chain also helps to reduce the cost of production and prices.

With FDI in multiband retail, the farmer will get better remunerations for their produce. The farmers will get letter prices. It will also result in the string thinning of rural infrastructure and lead to direct purchase by the retailers. In the other hand the FDI will also help a large number of young people from rural areas to join the workforce.

Thus, the increasing of foreign capital has revolutionized the entire scenario of our agriculture sector and the rural economy. The FDI would also act as a strong catalyst fore drawing investments in the food processing sector. The need of a strong backend support and foreign investment in agricultural and allied sector will help in addressing new technologies and various of high yielding seeds which would turn out to be a driver for accelerating the agricultural growth.

The FDI is considered to be the life blood for agricultural sector. The agriculture, forestry and fishing sector showed a growth of 6.4 percent as against 0.4 percent during 2009-10. According to dept. of Agriculture and co operation (FDI) of government of India the production grew by 6 percent and oil seeds to 11 percent as compared to previous agriculture year. The production of cotton rose to 41 percent and sugarcane to 15 percent during 2011.

Thus, it can be said that FDI in flow increases the country's production capability and capacity which in turn will increase the purchasing potentiality of farmers and rural people.

FDI on Export Performance in India

In globalizing world, export success can serve as a measure for the compete, livens of a country industries and lead to a faster growth. The gov. of India saw in FDI a potential non delta creating source of finance and lumdle of assets viz, capital technology, market access (foreign),employment, skills, management techniques and environment, which could solve the problem of low income growth, shortfalls in souring, investment and exports and unemployment. It was argued that FDI would also help India in the explosion of production and trade and increase opportunities to enhance the benefits that could be drown from greater integration with the world economy. In other words, FDI would broaden the opportunities for India to participate in international specialization and other gains from trade.

The supply capacity in erasing effects arises when FDI in flows increase the host country's production capacity. Which in turn, increase export supply potential?

FDI is most likely to flow in to export industries by increasing exports and reducing imports, it will improve balance of payments of the developing country

With the inclusion of FDI in the Indian economy. The Export growth in India has been much faster them GDP growth over the past few decades.

FDI and Telecommunication

One of the most significant contributors to India's booming economy the development of the services sector and the focus of FDI in the Telecommunication sector. Over past two decades, the service sector has expanded rapidly. The share of services in world trade and investment has been macerating. One of the main reasons why India was the fastest growing economics was due to the rapid growth of the secrecies' sector.

Telecommunication is a sector with substaiatial impact and influence on national security, social stability and economic development. Therefore, the balance between economic gains from foreign investment and national telecommunication sovereignty presents a challenging task . in basic, cellular mobile, paging and value added service and global mobile personnel communications by satellite, FDI was limited to 49 percent subject to grant6 of leisure from the Department of telecommunications which has been increased to 74 percent. This liberalization of services has involved the potential advantage for Indian economy. The telecommunication sector is growing at a fast pace in India. The share of private sector in telecom was 84.60 percent in 2010. The overall tale density has he ached 66.17 percent in Dec 2010. Broad band connections total to 10.74 million by month Nov. 2010. Wheelers telephone is increasing at a faster rate. Bathe Shane of wireless telephones as on Dec.31st2010 was 95.54 percent of the total phones.

The telecom section is also the second highest FDI attracting 8.50 percent of the total FDI INFIOW IN TO India during 2011. That is why FDI has been looked upon as a tool to transform under developed countries in to advanced nations since then government has coco raged the expansion FDI cellular telephony opened to private industry, several investors are ready to enter Indian's telecom sector. The number of service sector ides (skilled and unskilled) has increased in India, new finding have revealed. A survey in dictated, employment in the industry rose by 15.72 million during the last quarter.

Criticism

The hike in foreign investment has become very common but full of controversy. Some critics has termed it as foreign deadly investment or foreign dangerous investment.

Opposing to liberalizing FDI some opinion are that it is of great concerns about employment losses. Unfair competition resulting in large sealed exit of incumbent domestic retailers and infant industry argument to protect the organized domestic retail sector that at a nascent stage. It is also argued that unorganized sector contributes about 14 percent of GDP and absorbs about 7 percent of our lobour force. Hence the issue of displacement of labour was a major concern with the introduction of FDI.

The FDI cannot adequately solve the problem of employment in rural areas. Slum dwellers have a variety of manufacturing activity largely, because they provide a very law cost option. The product bought at a low rate from venders in the slum areas is sold in the up market. These goods are expected to be low cost and any intervention may make touch slum dwellers jobless.

Conclusion

Foreign Direct Investment plays an important role in promoting economic growth, raising a country's technological level and creating new employment in developing countries. It integrates developing countries into the global market place and increase capital available for investment. FDI is taken as one of the key factor of rapid economic growth and development. Attracting FDI inflow with conductive policies has therefore become a key latte ground in the emerging markets. And this has led to competition among the states in formulating flexible policies and providing incentive to woo private investor to invest more and more.

India has opened up to the world markets rather cautiously shows that FDI has been growing gradually at a moderate pace. It has become a staple for success for India. India needs substantial foreign inflows to achieve the required investment to acierate economic growth and development. To watch the population growth rate with the per capita income and access to the basics of modern life like education, health care and waste disposal the inclusion a rapid increase in FDI has become necessary for India. FDI may be politically controversial or difficult because it reversed policies intended to protect the growth of local investment or of infant industries.

The continuous inflow of FDI in India has overall facilitated the utilization and exploitation of local raw materials, introduced modern techniques of management and marketing has caused the access to new technologies and increased the stock of human capital via on the job training.

References

- Agriculture in India- B Sambasiva Rao, Serials Publications. General Agriculture- Muniraj S Rathore,
- An Introduction to Agricultural Social - Subhash Chandra, New Visha.
- Arjun kumar (2013) Indian Agriculture- Status, Importance and Role in Indian Economy, International Journal of Agriculture and Food Science Technology 4:343-346.
- Current State of Agriculture in India-in India-2017- Golden Peacock.
- Department of Agriculture and Cooperation. Ministry of Agriculture, Govt. of India
- Indian Brand Equity Foundation (2015)Indian Agriculture Industry: An Overview.
- Indian world economy. Dutta and Com.
- Ministry of External Affairs (2015)India in Business.Investment and Technology Promotion Division, Govt. of India
- Pandey MM (2009) Indian Agriculture–An Introduction.Fourth Session of the Technical Committee of APCAEM Chiang Rai, Thailand, pp. 1-39.
- http://www.ccsniam.gov.in/research/KCG%20Final%20report.pdf