

## 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 Indian economy growing from Rs 32 trillion (US\$ 474.37 billion) in 2004 to about Rs 153 trillion (US\$ 2.3 trillion) by 2016. 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.

Total merchandise exports from India grew by 10.29 per cent year-on-year to US\$ 23.81 billion in August 2017, while overall trade deficit increased year-on-year from US \$ 12.72 billion during April-August 2016-17 to US \$ 39.87 billion during April-August 2017, according to data from the Ministry of Commerce & Industry.

According to Mr Suresh Prabhu, 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**

According to data released by the Reserve Bank of India (RBI), India's foreign exchange reserves were US\$ 399.921 billion as on October 20, 2017.

### **Foreign Direct Investments (FDI)**

During April 2000–June 2017, India received total foreign investment (including equity inflows, re-invested earnings and other capital) worth US\$ 498.901 billion. The country was one of the top destinations for FDI inflows from Asian countries, with Mauritius contributing 33.57 per cent, Singapore 16.82 per cent and Japan and UK contributing more than 7 per cent each of the total foreign inflows.

### **Foreign Institutional Investors (FIIs)**

FIIs net investments in Indian equities and debt stood at Rs 102,598 crores (US\$ 15.75 billion) in 2017-18 (up to October, 2017).

### **External Sector**

- India has revised its proposal on trade facilitation for services (TFS) at the World Trade Organisation (WTO) and has issued a new draft, with the contents being more meaningful and acceptable to other member countries.
- Indian exports of merchandise shipments is expected to reach US\$ 325 billion in 2017-18, compared to US\$ 275 billion in 2016-17, as per Mr Ganesh Kumar Gupta, President, Federation of Indian Export Organisations (FIEO).
- The Union Cabinet, Government of India, has approved the proposed Memorandum of Understanding (MoU) between Export-Import Bank of India (EXIM Bank) and Export-Import Bank of Korea (KEXIM).
- The Goods and Services Network (GSTN) has signed a memorandum of understanding (MoU) with Mr Ajay K Bhalla, Director General of Foreign Trade (DGFT), to share realised foreign exchange and import-export code data, process export transactions of taxpayers under goods and services tax (GST) more efficiently, increase transparency and reduce human interface.
- In March 2017, the Union Cabinet approved the signing of the customs convention on the international transport of goods, Transports Internationaux Routiers (TIR) making India the 71st signatory to the treaty, which will enable the movement of goods throughout these countries in Asia and Europe and

will allow the country to take full benefit of the International North South Transportation Corridor (INSTC).

- Mr Richard Verma, the United States Ambassador to India, has verified that India-US relations across trade, defence and social ties will be among the top priorities of the newly elected US President Mr Donald Trump's administration.

### **Foreign Trade Policy**

- 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. Also, 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 Organisation (FIEO). Also, 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.