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Implications of Foreign Trade in India

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ABSTRACT

Foreign trade is like a medium of trade between two or more countries where the basic aim is to provide all the necessary good and services so that the consumers of the included countries can avail the variety of goods and services and the economy of the concerned countries can lift. Basically, there are three types of trade which are accomplished during the foreign trade. These trade types are import, export and entrepot.

The incoming of the essential goods and things in a country by another country is performed under import and goods tend to outgo from the country in export trade. On the other hand, in entrepot trade, one country receives some raw goods from another country and performs some processing on these goods and after that, the processed goods are exported to other countries. The current paper highlights the implications of foreign trade in India.

KEYWORDS:

Foreign, Trade, Economy, Goods, Services, Import, Export

INTRODUCTION

Due to this concept of foreign trade, the level of globalization has been raised to a next level where most of the international brands are available in Indian domestic market. Also, a healthy commercial links tend to emerge between the countries as a result of this foreign trade.

With the help of the foreign trade, the level of economy of the concerned countries also moves in the upward direction as it is observed that stock market tends to perform well as a consequence of the foreign trade which certainly brings the positivity in the market.

A level of competition in the domestic market can also be observed due to the foreign trade as foreign brands come in the market with the quality of international standards which tend to attract the consumers. Because of this increase in competition, now, the domestic manufacturers have also started making the products of higher quality so that they can fight with the international products. As a result of this competition, the consumers are getting good opportunities to deal with a range of products with good quality.

Foreign trade is also useful for the utilization of the work force as it is observed that during the activities of the foreign trade, large number of workforces is required which certainly rectifies the problem of unemployment to some extent.

The cost stability can also be achieved easily with the help of the foreign trade as in most of the cases; the level of demand is fulfilled by implementing the proper supply strategies. Hence, the needs of the consumers can easily be accomplished through foreign trade.

The fundamental infrastructure needs tend to attain as a result of foreign trade because the most of the transportation work is done by roads and hence, the development of the roads is done on the large scale in urban and rural regions so that there should be no problem in the supply of the products.

All kinds of foreign trade is done through the way of oceans where ships are used for the purpose of transportation and goods are taken from and brought to the concerned ports. Business relations between two countries tend to emerge due to the foreign trade.

If a country transports the products of higher quality manufactured in its own country then the goodwill image of that country also tends to emerge in the international market. For example, Japan has a respected image in the international market as now every nation knows that Japan manufactures and transports the products of higher level and full of advanced technology. Hence, this foreign trade becomes a symbol of pride for a nation if the products being exported to other countries are liked and appreciated by the consumer of these countries.

On the other hand, the brand value of Chinese products in the international market is not so much as most of the products exported by China are duplicate and their quality is so bad that most of the products are damaged after using sometime. Hence, the quality of the products exported as foreign trade plays an important role in building the healthy brand image of a country.

As a result of this foreign trade, the incoming of the foreign currencies takes place in the nation and hence, the level of economy tends to improve. This increase in the economy also indicates the proper functioning of the foreign trade.

IMPLICATIONS OF FOREIGN TRADE IN INDIA

Foreign trade affects the domestic trade and markets of a country and India is not an exception in this scenario. India is a part of the globalization and any effect, positive or negative, on the global trade is bound to affect the Indian markets. The global economic downturn and the recent Economic crisis are two examples to understand this fact.

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The Foreign Trade Policy of India is guided by the Export Import in known as in short EXIM Policy of the Indian Government and is regulated by the Foreign Trade Development and Regulation Act, 1992. DGFT (Directorate General of Foreign Trade) is the main governing body in matters related to Exim Policy.

India's Export Import Policy also know as Foreign Trade Policy, in general, aims at developing export potential, improving export performance, encouraging foreign trade and creating favorable balance of payments position.

The entry of the foreigners into the Indian markets was initially criticized but the scene is not the same anymore. The Indian Foreign Trade Policy of 2009-2014 has added 26 new markets to its aim of achieving the export target of US$ 200 billion and export growth target of 15 percent for the first two years.

Other aims of the policy are to double India’s export of goods and services by 2014 and to double India’s share in global merchandise trade by 2020. The upcoming decade will play a significant role in fortifying the country’s trading capabilities.

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As of now (in 2012), UAE accounts for $36b of Indian exports followed by USA and China accounting for $34b and $18b respectively. On the import side, maximum imports are sourced from China followed by UAE and Switzerland. Commodity wise, Petroleum products account for $56b of export revenue followed by gems and jewellery accounting for $47b. On the import side, crude oil accounts for imports worth $155b followed by Gold and silver worth $62b.

According to Prime Minister's Economic Advisory Council, India's exports are unlikely to achieve the $ 360 billion target for this fiscal and will be about $ 334 billion and the imports would touch $ 515 billion, leaving a trade deficit of $ 181 billion or 9.7 per cent of expected GDP.

In today's world, globalization is a reality. There is no element of doubt that threats from globalization exists which may harm the domestic industries but from the past experience, it can also be concluded that in the absence of competition, quality of production deteriorates and complacency hampers the economy.

Thus in order to increase the efficiency of the nation's economy and tom assure the increasing consumer surplus and producer's income, one must endeavor to formulate the foreign trade policy in such a manner which raises the country's productivity and not merely aimed at increasing exports and decreasing imports.

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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 India's GDP reaching Rs 170.95 trillion (US$ 2.47 trillion) in 2017-18*, and Rs 190.54 trillion (US$ 2.76 trillion) in 2018-19**. 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 exports from India (merchandise and services) have increased 8.73 per cent year-on-year in 2018-19 (up to February 2019) to US$ 483.92 billion, while total imports have increased by 9.42 per cent year-on-year to US$ 577.31 billion, according to data from the Ministry of Commerce & Industry. By 2018-19 end exports are expected to reach US$ 540 billion.

DISCUSSION

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.

With the Government of India striking is 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 2015-20, by 2020, India's share in world trade is expected to double from the present level of three per cent.

In the Mid-Term Review of the Foreign Trade Policy (FTP) 2015-20 the Ministry of Commerce and Industry has enhanced the scope of Merchandise Exports from India Scheme (MEIS) and Service Exports from India Scheme (SEIS), increased MEIS incentive raised for ready-made garments and made- ups by 2 per cent, raised SEIS incentive by 2 per cent and increased the validity of Duty Credit Scrips from 18 months to 24 months.

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.

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.

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.

Bilateral trade between India and Ghana is rising exponentially and is expected to grow from US$ 3 billion to US$ 5 billion over the coming three years, stated Mr Aaron Mike Oquaye Junior, Ghana's Ambassador to India.

CONCLUSION

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.

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 realized 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.

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