



India Foreign Trade policy

Course:
India Economic

BY:

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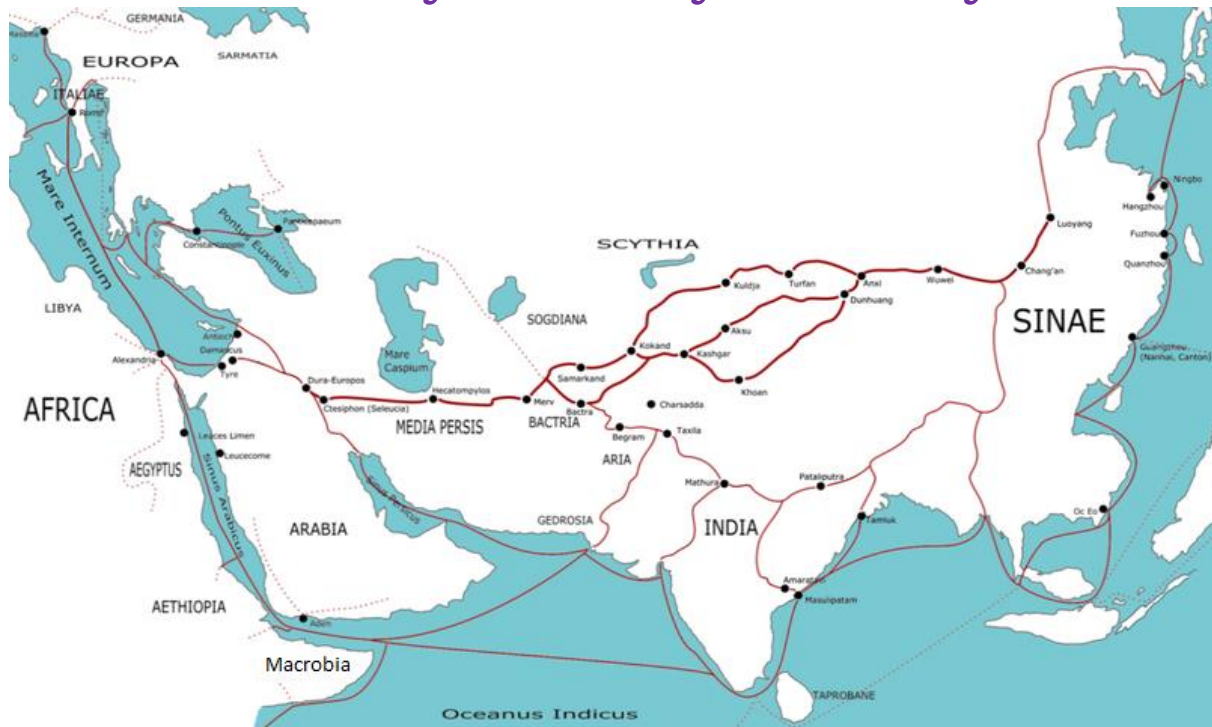
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In the name of God the munificent the merciful



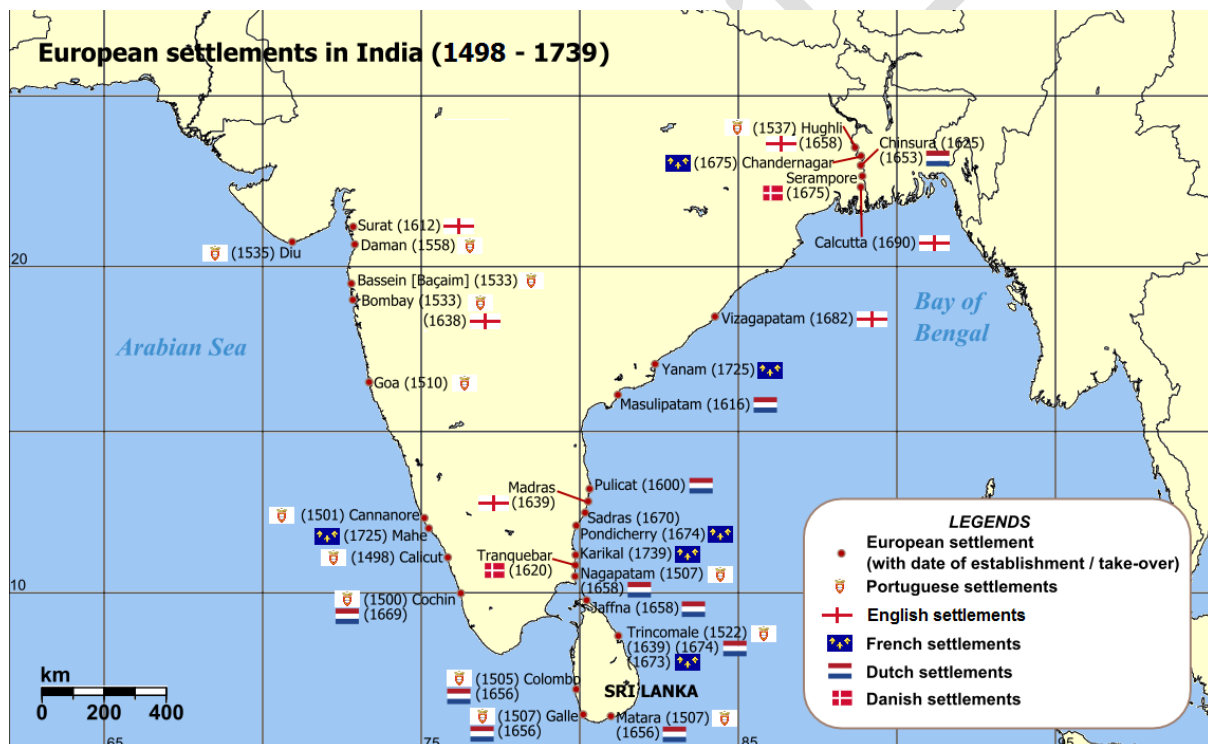
India was located on the side of the Silk Road and during its history she had some commodities to offer to world humanity; India was famous and especial about spicery; and so traders from all around the world were searching proper way to reach India's especial goods, and also the Columbus in the way of reaching to India find himself in new lands that named America later on.

In Prophet Mohammad (peace be upon him) time (about 6th century CE) also it is reported that the Arab traders used under Iranian control Yemen's ports to imports Indian goods from the sea roots and then they re-export it to modern Jordan and Syrian' lands (the Rom emperor); and it is reported that Prophet Mohammad (peace be upon him) also accompanied one of this caravan, that its owner was the Khadija bint Khuwaylid who became his wife latter on; and she spent all her wealth for expanding Islam; So as it clear India was the destination of world trader long time in history from the sea roots and maritime roots.

Practically foreign trade will show itself in the shape of countries Import and export (commodity in the history and now capital also). And the major goal of every country as well as India is achieving high share in world foreign trade.

India's opening its economy to world market in 1991 by liberalizing it, brought a good development in Indian economy and she experience high rate of economic rate near 8% average for long time before recently world economic crises, to change itself as 11th world economy and now they speak of becoming 3rd one in futures. Other Indian economic index like poverty also changed and as Indian economic statistic show its poverty rate from 37.2% in 2005 decrease to 29.7% in 2010; and India' predicted position in economic world it point largest world economy in 2050. On the shadow of new world economic crises, Indian GDP growth slowed to 6.3% in FY 2011-2; the worst it has been in 9 years, but with comparison to Iran which experience about -5.5% rate at end of president Ahmadinejad in 2013, India's rate is high.

Indian maritime position as strong point:



Indian coastline with nearly 6000 KMS is one of the strong points of this country and makes them as Ancient maritime trading nation. Bay of Bengal was once known as Chola Lake related to Chola Empire on that ruling on south east coast line of India. They had economic relation with South East Asian lands. Today's average of 70% of international trade is carrying over the seas but for India, it is 90%. India has 12 major ports and more than 180 smaller ones. All ports of India together handled 519 million tons of cargo during the fiscal year ended March 2008; with growth rate of 12%. But all Indian ports in

Year	Exports	Imports	Balance of trade	Total Trade
2000-01	44.5	50.5	-6	95
2001-02	43.8	51.4	-7.6	95.2
2002-03	52.7	61.4	-8.7	114.1
2003-04	63.8	78.1	-14.3	141.9
2004-05	83.5	111.5	-28	195
2005-06	103	149.1	-46.1	252.2
2006-07	126.2	185.6	-59.4	311.8
2007-08	162.9	251.5	-88.6	414.5
2008-09	185.2	303.6	-118.4	488.8
2009-10	178.7	288.3	-109.6	467
2010-11	251.1	369.76	-118.66	620.8
2011-12	303.7	488.6	-184.9	792.3

2005 -06 together handled cargo of 423.3 million tons; at the same time Singapore port handled 423 million tons of cargo.

India Imports situation during last 60 years:

Over the last 60 years, India's foreign trade has a complete change in term of composition and direction. India's imports were

increased because of necessity of capital goods, defense equipment (now India is as first importer in the world), petroleum products (that always India affected by it), and raw materials (that during British Raj change to raw exporter).

India Exports situation during last 60 years:

During the last 60 years, India's foreign trade in the term of exports remained relatively slow-moving due to:

- 1- Lack of exportable surplus,
- 2- Competition in the international market,
- 3- Inflation in India,
- 4- increasing protectionist policies of the developed countries.
- 5- Worldwide inflation,
- 6- climb in oil prices,

High share in world trade as goal:

Practically foreign trade will show itself in the shape of countries Import and Export (commodity in the history and now capital also). And the major goal of every country as well as India is achieving high share in world foreign trade.

India Trade with Asia:

Chart-7.2
Region - wise share of India's Import (Apr-Sep, 2010-11)

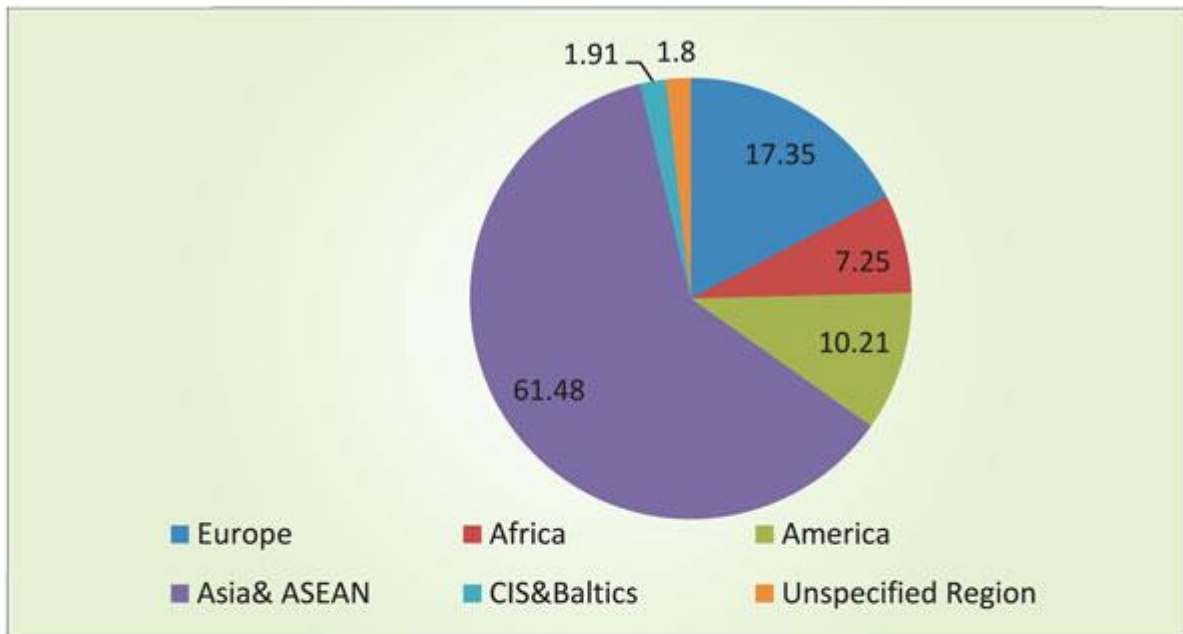
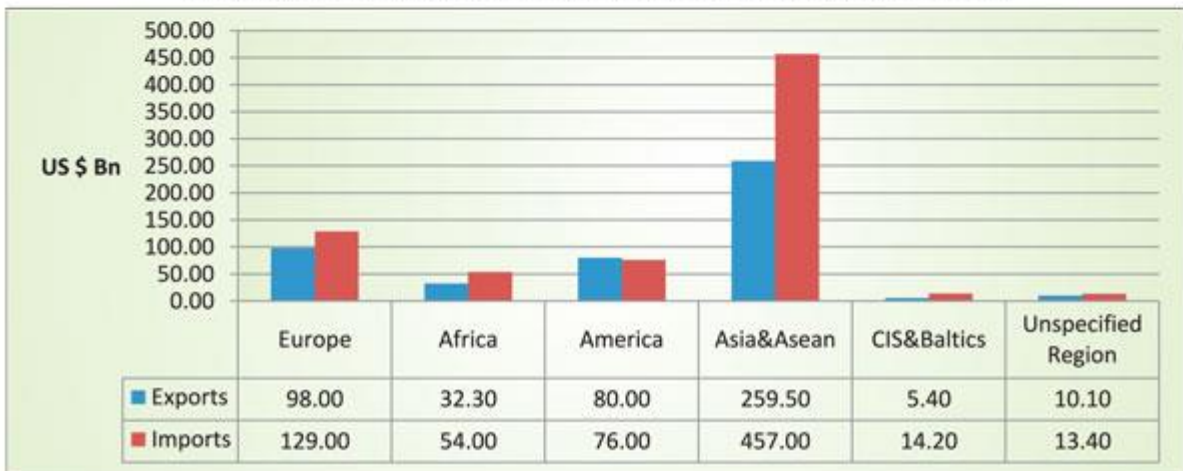


Chart-7.3
India's trade with major regions of the World (Apr-Sept, 2010-11)



Kamal Nat (Union Minister of Commerce and Industry) in 2005 announced:

- (a) Since 1991, India's trade with the 10 largest Asian trade partners had grown at rapidity ranging from four-fold growth to sixteen-fold. Already, the Asian region accounts for 45 percent of India's external trade;
- (b) The growth in India's trade was the fastest with China and ASEAN as compared to any other region. India's bilateral trade with ASEAN grew from 4 billion dollars a decade ago to 20 billion dollars last year (2005), and with China, from 1 billion dollars to 15 billion dollars during the same period;
- (c) A recent IMF study showed that India today trades more with East and South East Asia than it does with the rest of the world.

Table 7.1
India's Trade with ASEAN Member Countries

Value in US\$ Million

Country	Latest Trade figure for the ASEAN								
	2008-09			2009-10			2010-11(P)		
	Exports	Imports	Total Trade	Exports	Imports	Total Trade	Exports	Imports	Total Trade
Brunei	17.64	397.52	415.16	24.43	428.65	453.08	10.65	85.87	96.52
Cambodia	46.9	2.72	49.62	45.54	5.05	50.59	28.08	3.35	31.43
Indonesia	2559.82	6666.34	9226.16	3059.52	8551.62	11611.14	2242.07	4301.66	6543.73
Lao PDR	9	0.53	9.53	16.93	20.05	36.98	2.39	0.13	2.52
Malaysia	3419.97	7184.78	10604.75	2835.38	5176.24	8011.62	1989.96	2929.93	4919.89
Myanmar	221.64	928.97	1150.61	207.97	1289.35	1497.32	129.87	610.72	740.59
Philippines	743.77	254.77	998.54	748.71	312.71	1061.42	371.47	204.96	576.43
Singapore	8444.93	7654.86	16099.79	7568.29	6163.91	13732.2	4643.38	3488.34	8131.72
Thailand	1938.31	2703.82	4642.13	1740.1	2930.13	4670.23	1088.47	1976.11	3064.58
Vietnam	1738.65	408.66	2147.31	1838.87	521.8	2360.67	1102.12	449.72	1551.84
ASEAN	19140.63	26202.97	45343.6	18085.74	25399.51	43485.25	11608.47	14050.8	25659.27
India's total Trade	185295.36	303696.31	488991.67	178662.17	286822.8	465484.94	105351.89	161449.28	266801.17
Trade with ASEAN as %age of total	10.33%	8.63%	9.27%	10.12%	8.86%	9.34%	11.02%	8.70%	9.62%

India Foreign Trade policies:

- 1- Signing Free Trade Agreements as a goal for Indian policy makers.
- 2- Facilitating high share of Indian Goods and Services in the International market; now India is among the top ten in services exports.
- 3- India wants to be a Global hub for Manufacturing, Trading & Services.
- 4- Bring down business cost and Simplified it procedure, Unshackling of controls, built-in transparency & mutual trust
- 5- Special Focus area Initiatives;
- 6- Facilitating Technological & Infra-structural up gradation;
- 7- India is trying to diversify its export basket and share in the top items of the world trade.

English language as Indian strong point:

“By 2010 India will have world’s largest number of English speakers” Professor David Crystal (Cambridge Encyclopedia of the English Language)

Increase in export value:

During 1950-60, the value of world exports becomes double. In the next 10 years it increased nearly 2 ½ times. During 1970s, the value of the world exports increased by about 5 ½ times. During 1980-90, the value of world exports increased by 80%. Between 1990- 2000, it increased by over 90%. During 2011-12, India's overall exports grew 21%.

What India should do?

For confronting with world trade problems India needs:

- 1) Stable Policy environment
- 2) Fiscal incentives
- 3) Diversification of export markets
- 4) bureaucratic rationalization
- 5) Institutional changes

Huge deficit between India Export and Import:

Indian trade deficit is widening due to:

- 1- Huge imports of oil and gold by India.
- 2- Imports are raising at faster rate than exports
- 3- Increase in consumption requirements
- 4- Need for key industrial raw materials
- 5- Poor competitiveness of India's exports both at the cost as well as price front

India goal for Foreign Trade policy of 2009-2014:

The short term is to provide additional support to those sectors which have been hit badly by recession in developed countries.

The medium term objective is to achieve an Annual Export growth of around 25% by 2014 and to double India's exports of goods and services by 2014.

The long term objective is to double India's share in Global Trade by 2020.

A target of \$500 billion exports in the terminal year.

Below is India's share amongst some countries like Netherlands, Italy, Canada, South Korea, Spain, Russia and China from year 1985- 2011:

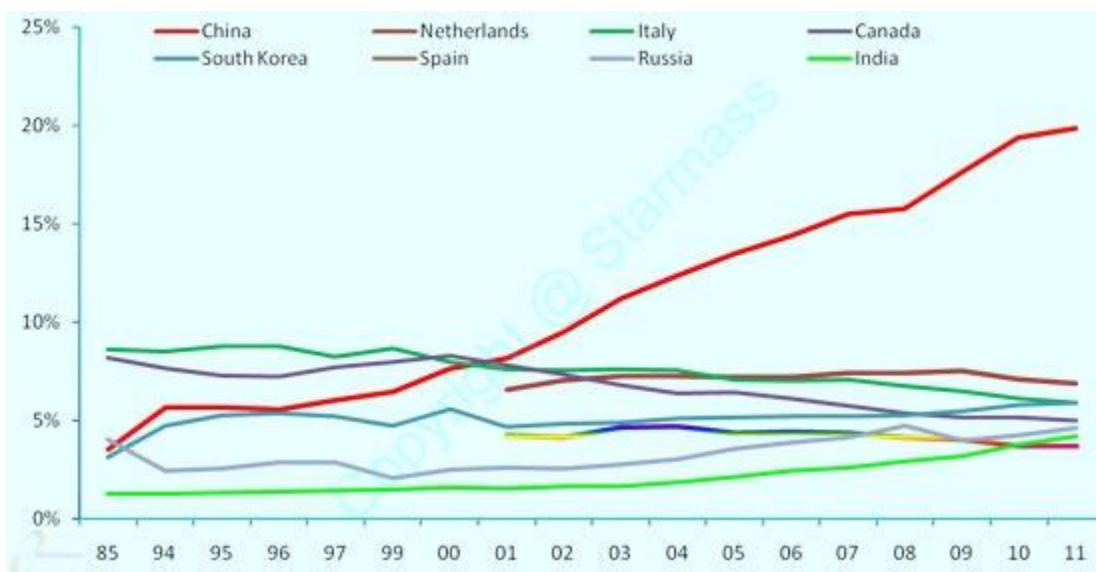


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