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FOREIGN TRADE POLICY OF INDIA: INTROSPECTION

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Introduction

Foreign Trade plays a vital role in the economic development of a country. It is a primary link of integration with other world economies. India is non-exception to it and being a developing economy, the foreign trade has long lasting ramification on the economic scenario of the country. Foreign Trade Policy of India is based on Export and Import shortly known as EXIM Policy. It is managed by governing body in matters related to EXIM policy. The Foreign Trade Development and Regulation Act is to provide development and regulation of foreign trade by facilitating imports and exports. Foreign Trade Act has replaced the earlier law known as Imports and Exports (control) Act 1997. Indian EXIM Policy contains various policy related decisions taken by the government in the share of foreign trade .i.e. with respect to import and export from the country and more specially export promotion measures, policies and procedures related to it. Foreign Trade of India aims at developing export potential, improving export performance, encouraging foreign trade and creating favorable balance of payment position. Foreign Trade Policy is prepared and announced by the Central Government Ministry of Commerce.
EXIM Policy of the Indian Government is regulated by the Foreign Trade Development and Regulation Act, 1991. DGFT (Directorate General Foreign Trade) Policy or EXIM Policy is a set of guidelines and instructions established by the DGFT in matters related to the import and export of goods in India. In most countries, it constitute significant share of Gross Domestic Products (GDP). Foreign Trade Policy has offered more incentives to exporters to help them tide over the effects of a likely demand slump in their major markets such as USA and Europe.

The Foreign Trade Policy of a country aims to reduce the gap between the values of import with the value of export. It can be achieved by reducing the gap through import control, import substitution and export promotion. Import control has been adopted since the inception of five year plan in our country but most of the import goods and commodities of developed countries may hold the Indian market for which, import restriction policy will help to control our market from foreign companies. Liberal policy is adopted to import capital goods and technical knowledge for rapid progress of industries. Except import of necessary commodities, import of other commodities must be restricted. Import substitution means reducing the import by producing imported commodities inside the country. Government has been providing incentives to import producing domestic industries to curtail import materials. We have achieved a lot of success in field of import substitution by adopting certain measures. Government of India has been given priority towards export promotion to increase both traditional and nontraditional goods. For increasing the demand of goods, importance on market research, exhibitions, trade fairs have been given priority. For creating demand of our goods in the foreign markets, bilateral trade agreement has been given importance. To build a fix reasonable price for boosting export it requires modernization and new technology to make products more competitive in other countries. For export promotion. Subsidy and tax exemption have been given to the export production units ‘and permission has been granted to import modern machineries and raw materials. With the direction of Reserve Bank of India, nationalized banks are providing cheaper credit facilities to the exporters. Except these facilities, Export Advisory Council, Export Promotion Council, Foreign Trade Board, Directorate of Export Promotion etc. have established to boost export. To create demand of our goods in the foreign markets, competitivenessamong export units and providing impetus to exporters will be conducive for export promotion.

1.3 Objectives & Methodology

The paper is construed with the following objectives

1. To know various Foreign Trade Policies implemented by the Government of India since its inception of planning formulation.

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2. To point out composition and direction of India's EXIM Policy.
3. To analyses various trends and profiles of export and import of India.

The methodology here adopted is descriptive and analytical. Secondary data have been collected for the purpose of the study. The data collected from various sources such as books, journals, articles published and internet. The data relating to trade policy of India are collated for the purpose. The different statistical tools like percent, average and growth ratio are also used for interpretation of the data. The study covers trends and analysis from 1951-2016.

History of Foreign Trade

The opening of Suez Canal in 1869 considered as an earmark in the development of modern foreign trade. Before independence Foreign Trade of India estimated at Rs.90 cr. in 1869 which increased to Rs.370 cr. in 1913-14 (Unique publication, 1994). Records and evidences prove that India had foreign trade with other countries in the world. After Independence it soon joined the Commonwealth of Nations and strongly supported the other countries for their independence movement. During the cold war, India adopted a foreign policy of not aligning itself with any major power block; However, India developed close ties with the Soviet Union and received extensive military support from it. India exports approximately 7500 commodities from 190 countries and import about 6000 commodities from 140 countries (Foreign Trade of India – Wikipedia)

Different Distinct Phases in India's Foreign Trade Policy

Five distinct phases is noted in India's Trade Policy. First phase encompasses 1947-48 to1951-52. During first phase, India could have liberalized imports but on account of Sterling balance the restriction imposed by the UK for war time controls.

The second phase encompasses the period 1951-1952 to 1956-1957. During second phase liberalization of foreign trade was adopted as the goal of trade policy. Import licenses were granted in a liberal manner. Remedial measures to encourage exports by relaxing export controls, reducing export duties, abolishing export quotas and providing incentives to exports were implemented.

During the third phase from 1956-57 to 1966 June, the trade policy was re-oriented to meet the requirements of planned economic development. A very restrictive import policy was adopted and the import controls further stretched the list of imported goods.

Third phase stated after the devaluation of the Rupee in June 1966. During this period, trade policy attempted to expand exports and liberalized imports too. Actually, export promotion was given priority and boost through the acceptance and implementation of the recommendations of the Mudalier Committee (1962).

During the last phase 1975-76 onwards, the Government adopted a policy of import liberalization, with a view to encourage export promotion. During BharatiaJanata Party rule import liberalization was also adopted to augment domestic supply of essential goods and to check hike in price level. EXIM Policy of the Indian Government emphasized further imports and exports, support to the growth of indigenous industry, optimum utilization of the country's resources, endowment, especially in man power and agriculture, facilitate technology up-gradation with special emphasis on export promotion and energy conservation, stimulus engaged exports particularly, manufacturing units contributing substantially in the export effects, and manage possible savings in imports. Now the present trade policy is being based on stimulating economic growth and export promotion via import liberalization.

India's Foreign Trade Policy -1991)

The Commerce Minister P. Chidambaram announced a major overhaul of trade policy on July, 1991.

Suspension of each compensatory support and to enlarge and uniform. Repo rate of 30% of the balance of payment account value. It also emphasis to abolish all supplementary license expect in the case of small scale

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sector and producers of life saving drugs/ equipment. abolition of unlisted OGI and removal of all import licensing for capital goods and raw materials, except for a small negative list as 3 years.

Export –Import Policy 1992-1997

The Government announced on 31st March, 1992 a New Export-Import Policy for the period from 1992-1997. The policy seeks to give a further push to liberalization by allowing imports by decanal sing a large number of raw materials. This is liberalizing import of capital goods against export obligation.

The main aim of EXIM Policy (1992-1997) is

1. To establish the frame-work for globalization of India's foreign trade.
2. To enhance export capabilities it tried to promise the productivity, modernization and competitiveness of Indian industry.
3. To encourage internationally accepted standard quality only for enhancing the image of India's product in foreign countries.
4. To augment India's exports by facilitating access to raw materials, intermediates, components consumables and capital goods from the international market.
5. To promote efficient and internationally competitive import substitution and self-reliance under a deregulated frame work for foreign trade.
6. To eliminate or minimize quantitative, licensing and other discretionary controls in the framework of India's trade.
7. To expedite the country's research and development and technological capabilities, and
8. To simplify and stream line the exports and imports procedures.

Reforms in New Trade Policy

A lot of change was introduced in the trade policy of the country during the reform period in 1991 and substantial liberalization measures were introduced. In 1995 India joined WTO. As a founder member, India strikes down all quantitative restrictions on imports and reduces import duties in order to open up the economy to world trade. India also was adopting necessary policies for globalization. The following are some of the important features of the New Trade Policy as introduced over the years since 1991:

In order to remove complexities in imports and exports 6,161, tariff line were made free on 31st March, 1996 and continued till March 2000 and this total enhanced to 8,066. Quantitative restriction (QR) in 1429 tariff lines remained in force. The EXIM Policy 2000-2001 removed quantitative restriction on 714 items. The quantitative restrictions on all import lines have been gradually withdrawn as per the commitment made by India to the World Trade Organization (WTO).

Chelliah Committee advocated drastic reductions in import duties in January 1993 to provide protection to Indian industries. Though, rupee was depreciated by around 57.45 % during 1985-86 to1992-93 which raised the cost of import extensively. The committee recommended reducing import duties drastically by 1998-1999 for rationality.
Large number of exports and imports were canalized through some public sector agencies in India. The EXIM Policy 1991 made an attempt of progressive reduction where 16 export items and 20 imports items were decanalised. Later on EXIM Policy, 1992-1997 also decanalised imported items including nonferrous metals, natural rubber, news print inter mediated and raw materials for fertilizers.

The EXIM Policy 1991, replaced administered licensing of imports and introduced major changes in the import licensing system. The new policy strengthened the system of advance license to exporters with duty free access to inputs. The list of restricted items was reviewed and 98 items were shifted initially from restricted list to limited permissible list and 37 items were also shifted from limited permissible list to OGL list.

Rupee was made convertible in 1992-93. This was a reverse effect in integration of Indian economy with the world economy. Now, the exchange rate of rupee in India is earmarked.

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Export Houses, Trading Houses and Star Trading Houses are permitted in 1991 for widening import items. The foreign Trade Policy 1992-1997 provided Export Houses and Trading Houses with the benefit of self-certification, which usually permits duty free imports for exports.

Export Promotion Zones (EPZs) were given necessary support by providing concession for raising their volume of exports is a major reform in 1990. Some concessions were granted for Export Orientation Units (EPUs) introduced in 1981.

In order to overcome the shortcomings of EPZs and to attract larger foreign investments in India, the special economic zones (SEZs) policy was announced in April 2000. The Special Economic Zones Act was passed in February 2006 for generation of additional economic activity, promotion of exports of goods and services, promotion of investments from domestic and foreign sources creation of employment opportunities and development infrastructure facilities. Various incentives and facilities are offered to SEZ units and SEZ developers.

The concept of Agriculture Export Zones (AEZs) was introduced in 2001 for promotion of agriculture exports. It recognized export efforts on the basis of specific products with specific geographical areas.

Market Access Initiative Scheme was launched in 2001-2002 to promote foreign marketing efforts. The scheme helps by advertising Indian products in overseas market and also in making publicity, campaigns etc.

The foreign trade policy 2004-2005 incorporated specific strategies for five important sectors like, agriculture, handicrafts and handlooms, gems and jeweler and, leather and footwear sector.

Services sector in India is contributing more than 50% of its GDP. The Foreign Trade Policy (FTY) 2004-09 provided thrust to service exports. To reduce transactional cost and for attaining procedural simplification the FTP (2004-09) announced some measures like,

1. Exempting all exporters having minimum turnover of Rs.5 cr. from furnishing bank guarantee.
2. permitting import of second hand capital goods without any age restriction
3. all goods and services exported, including those from Domestic Tariff Area (DTA) units are exempted from Service tax etc.

The Free Trade and Warehousing Zones (FTWZs) is a new scheme introduced in 2004-2009 FTP in order to create trade-related infrastructure for facilitating import and export of goods and services with transactional freedom. Foreign direct investment up to 100 % is permitted in the development and establishment of the Zones and its related infrastructure.

A large amount of tax benefits and exemptions have been granted to liberalize imports and promoting exports. These include reducing customs duty to 10 %, reduction for IT sector, granting concessions of tax to the SEZs developers etc.

Recent Trade Policy Measures

To boost the performance of export sectors, the Government took various measures, in the budgets and in the Foreign Trade Policy, 2009 – 2014.

Various schemes viz., Focus Product Scheme (FPS), Focus Market Scheme (FMS), Market Linked Focus Product Scheme (MLFPS), VisheshKrishi and Gram UdyogYojana (VKGUY), Served from India Scheme (SFIS) and Agri-Infrastructure Incentive Scheme (AIIS) were strengthened. New markets are added in FMS and special FMS. 46 new items are also added to MLFPSA. 12 new markets and 100 new items are included in FPS list for

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first time. Indian trade portal was launched on 8th December 2014 for providing information about 42 export markets. Industry and trade bodies are given support for participation in Buyer Seller Meet (BSM).

Foreign Trade Policy, 2009-2014

The congress–led United Progressive Alliance (UPA) Government announced its new five year Foreign Trade Policy (FTP) for the period 2009-2014, replacing the earlier policy2004-2009. The main objective of the policy constitutes an export-led growth strategy by adopting special rescue package. The policy has identified certain measures for diversifying Indian export market into new areas so as to double India's share in global trade by 2020.

For the growth, the Foreign Trade Policy (2009-2014) measures include tax, interest subvention and dollar credit to exporters. Extension of income, tax holiday granted to export units for one more year. These measures including fiscal incentives, cheaper bank credit, institutional changes, procedural rationalization and efforts to enlarge export destinations have made the trade policy attractive to the industry leaders. The incentives available under the Focus Market Scheme (FMS) have been raised from 2.5 % to 3 %.

The Government through its FTP (2009-2014) announced various measures like tax holidays, cheaper bank credit, duty incentives, creation of new markets, strategies to increase demand to increase demand for Indian goods and services in the foreign markets, reducing regulatory and compliances cost for exporters etc., to attain its long term objectives to double India's share of global trade by 2020.

India's Foreign Trade Policy March 2016

Now, India is considered to be one of the most exciting markets for the foreign trade with large export and import centric industries due to slowdown of global economy. Considering the merchandise trade, India's share in total world exports is 1.8 % while imports are 2.4%. On the other hand, the share of services exports in the world is 3.2% and that of imports is 3.07%.

Some Key Factors of Ftp 2016

Merchandise Trade

1. India emerged as the net beneficiary of the collapse in oil prices. In 2015-2016 the trade deficit remained at $118.5 bn lowest in the last five years.
2. Exports declined by 15.8% primarily due to fall in oil exports, owing to subdued global demand and fall in oil prices while imports shrank by 15.3%
3. At the commodity level exports of petroleum and crude oil products declined by 40' 49.4%. The imports of petroleum crude and products have dropped by 40.5%. On account slide in the crude oil rises in the international market, reducing the import bill.
4. The domestic production for some of the major industries such as transport equipment, petroleum products, textiles, iron and steel is positive, however, the export and imports of these have decreased/

Trade In Services

1. The net trade in services has declined by 5.61% for first 11 months in 2015-16.
2. The net inflows in services like travel, financial services and construction picked up while that in insurance and pension services and transport declined.
3. Within services, telecommunications, computer, and information services fetched highest not inflows during the year 2015-16 (April-December).

Exports Including Re-Export

Exports during March, 2016 were valued at $22718.69 million and in Rs.152264.96 cr. which was 1.47% lower than Dollar terms, 1.45 %higher than rupees terms than the level of $2403.55 million and in Rs.150082.80 cr. during March 2015. The cumulative value of exports in the period April-March 2015-2016 was $ 261136.80

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million and Rs.1708841.43 cr. as against $ 310338.47 million and Rs.1896348.40 regarding a negative growth of 15.85 % in dollar terms and 9.89 % in rupees terms over the same period (Table-1).

Table-1: Merchandise Trade Export (including re-export)

SI.No.	Year	Dollar(Million)		Rupees(Cr.)	
		March	April	March	April
1	2	3	4	5	6
1	2014-2015	2403.55	310338.47	150082.80	1896348.40
2	20152016	22718.69	261136.80	152264.96	1708841.43
3	% Growth 2015-16/2014-16	-5.47	-15.85	-1.45	-9.89

Source- Press Information Bureau, Government of India, Ministry of Commerce and Industry, India's Foreign Trade March, 2016.

Imports during March 2016 were valued at $ 27789.56 million and Rs.186250.88 which was 21.56% lower in in Dollar terms and 15.82% lower than Rupees terms with the level of imports valued at $35428.72 million and Rs.221251.65 cr. in March ,2015.Cumulative value of import for the period of April- March 2015-16 was $379596.17 million and Rs.2481367.22 cr. as against $448033.42 million and Rs.2737086.58 cr. registering a negative growth of 15.28%in dollar terms and 9.34 %in rupees terms over their same period last year (Table-2).

Table-2: Merchandise Trade Import

SI.No.	Year	Dollar(Million)		Rupees(Cr.)	
		March	April	March	April
1	2	3	4	5	6
1	2014-2015	35428.72	448033.42	221251.65	2737086.58
2	2015-2016	27789.56	379596.17	186250.88	2481367.22

Source- Press Information Bureau,Government of India, Ministry of Commerce and Industry, India's Foreign Trade March,2016.

Trade Balance of India February 2016

The trade deficit for April –March, 2015-2016 was estimated at $ -118459.37 million which was lower than the deficit of $ -137694.95 during April –March, 2014-2015 (Table-3).

Table-3: Trade Balance in Merchandise

SI.No.	Year	Dollar(Million)		Rupees(Cr.)	
		March	April	March	April
1	2	3	4	5	6
1	2014-2015	-118459.37	-137694.95	-71168.85	-840738.18
2	2015-2016	-5070.87	-118459.37	-33985.92	-772525.39

Source- Press Information Bureau,Government of India, Ministry of Commerce and Industry, India's Foreign Trade March,2016.

Trade In Services

Export during February 2016 was valued at $12329.00 million and Rs.84130.26 cr. During February, March 2016 on month of March, the growth of services export remained negative with a growth of 1.94 % as compared to negative growth of 0.44 % (RBI's Press release in January).

The Services Trade for February, 2014-15 was estimated at $ 12329.00 million and Rs.84130.26. The import payment of 2015-16 of services was estimated at $ 514.00 million which is lower than export of services of $69136.42 million 2014-2015 (Table-4).

IJMSRR
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Table-4: Services Trade

SI.No.	Year	Types of Service	Dollar(Million)	Rupees(Cr.)
1	2	3	4	5
1	2014-2015	Export Receipt	12329.00	84130.26
2	2015-2016	Import Payment	7189.00	49056.08
3	% Growth 2015-16/2014-16	Trade Balance	5140.00	35074.18

Source- Press Information Bureau,Government of India, Ministry of Commerce and Industry, India's Foreign Trade March,2016**.**

Direction of India's Foreign Trade

It is important to analyses the direction of India's foreign trade and the transformation that has taken place. In the pre-independence period, the direction of India's foreign trade was determined by the colonial spirit prevailing between India and Britain.After independence, this trend was continued for some years but now is not concentrate within two countries.

Direction of Exports

It is observed that, India has exported 43% to Asia followed by Europe and America. Indian exports decreased because of slowdown in global economic growth, especially in the US, China, Euro area and Japan along with still depressed commodity prices. Also the advantage of a depreciating currency was not realized as other emerging markets, which are our competitors witnessed higher rates of depreciation.

Table -5: Ten top exporting countries (US $ Billion)

SI. No.	Country	Year		Share%	Growth%
		2014-15	2015-16		
1	2	3	4	5	6
1	USA	38.96	36.89	15.45	-5.29
2	UAE	30.33	27.50	11.51	-9.33
3	Hong Kong	12.54	11.15	4.67	-11.11
4	China	10.99	8.25	3.45	-24.93
5	UK	8.57	8.06	3.38	-5.89
6	Singapore	9.17	7.11	2.98	-22.55
7	Germany	6.93	6.45	2.70	-6.87
8	Saudi Arabia	10.50	5.92	2,48	-43.69
9	Bangladesh	5.94	5.14	2.15	-13.34
10	Sri Lanka	6.24	4.93	2.07	-20.92

Source-: Ministry of Commerce and industry, CMIE

The major export destinations of India are United State, United Arab Emirate, Hong Kong and China. The largest drop in export is experienced with respect to Saudi Arabia by 43.7 % followed by China 24.93 % and Singapure22.59%. the export of China have declined due to slowdown in the Chinese economy and slackening demand for commodities (Table-5).

Direction of Imports

The direction of imports towards continents and imports from the top 10 importing partners of India has been presented. 52% of the total imports of India are sourced from Asian countries while 17% of imports are from Europe and 11% share in the imports is accounted by America. The major top 10 importing countries of India exhibited negative growth in the accounted year. China has the largest share of 16.21% share in imports, however, it indicated a decline in the growth by 5.29%. The import from Saudi Arabia, the major oil supplier to India,

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declined by 11.11%.the largest fall in the imports in respect of Nigeria (-41.69%) though it has a small share in the total imports of India(Table-6).

Table-6: Ten top importing countries (US $ Billion)

SI. No.	Country	Year		Share%	Growth%
		2014-15	2015-16		
1	2	3	4	5	6
1	China	55.86	56.95	16.21	-5.29
2	Uae	20.04	19.72	5.61	-9.33
3	Soudi Arabia	26.02	18.87	5.37	-11.11
4	Swiitzerland	18.90	18.52	5.27	-13.34
5	UAE	24.27	18.15	5.17	-5.89
6	Indonesia	13.68	12.30	3.50	-24.93
7	South Korea	12.45	11.93	3.40	-6.87
8	Germani	11.76	10.83	3.08	-22.55
9	Iraq	13.38	10.25	2.92	-17.40
10	Nigeria	13.14	9.44	2.69	-43.69

Source-: Ministry of Commerce and industry, CMIE

Composition of Foreign Trade in India

Composition of foreign trade is an important indicator of the pattern of trade developed by country. The term composition of trade is the structural analysis involving various types and volume of various items of exports and imports of the country. The composition of foreign trade of a country reflects on the diversification and specialization attained in its productive structure along with its rate of progress. The country exporting more of primary products, viz., raw materials and importing finished manufacturing goods and capital goods can be branded as an underdeveloped country. With the passage of time a country attempts to change the pattern of trade in such a manner so that it can attain a better term of trade for its products by transforming the country from a primary producing one to a producer of finished manufactured products.

Export Profile

For the first 11 months in 2016, the highest share is registered by manufactured goods and total exports registered 74.1% where the larger share is chemical products, Engineering goods and miscellaneous category. In 2015-16, all components of exports except chemical and related products and readymade garments registered negative growth. The exports of petroleum and crude oil products have diminished by 49.38%. Manufactured goods have highest share in exports, which declined by 8.0%. This fall can be primarily attributed to decline in the exports of iron and steel, which recorded a dip by 36.5% in the year 2015-16. The exports of agriculture and allied products have decreased by 18%. The gems and jewelry industry, accounting for 14.49% share in the total export s, has witnessed a fall in growth by 6.21% (Table-7).

Table - : Composition of Exports (US $ Billion)

SI. No.	Commodities	Year		Share %	Growth %
		2014-15	2015-16		

1	2	3	4	5	6
1	All commodities	286.07	237.37	100	-17.02
2	Petrolium and crude products	54.15	27.41	11.55	-49.38
3	Non POL	231.92	209.96	88.45	-9.47
4	Agriculture and allied products	35.57	29.17	12.29	-18.00
5	Ores and minerals	2.20	1.67	0.70	-24.14
6	Manufacture goods	191.30	175.91	74.11	-8.05
7	Leather and leather manufactures	5.57	5.14	2.16	-10.64
8	Chemical and related products	29.34	29.65	12.49	1.04
9	Engineering goods	63.75	52.57	22.15	-17.54
10	Iron and steel	8.01	5.09	2.14	-36.47
11	Ferrous and nonferrous metals	14.61	11.92	5.02	-18.39
12	Machinery and instruments	15.20	14.38	6.06	-5.40
13	Transport Equipment	23.25	18.32	7.72	-21.20
14	Electronic goods	6.53	6.15	2.59	-5.83
15	Textiles (excluding readymade Garments)	16.52	15.52	6.54	-6.04
16	Readymade Garments	15.26	15.45	6.51	1.23
17	Other Manufactured Goods	54.15	51.44	21.67	-5.02
18	Gems and Jewellery	37.81	35.46	14.94	-6.21

Source-: Ministry of Commerce and industry, CMIE

Import Profile

The manufactured goods account for the highest share in the total imports of India. The Engineering goods also fetch considerably larger of 9.29% share. During the year 2015-16, all most all major import commodities have negative growth. The imports of petroleum crude and products have decreased significantly by 40.52%. owing to slide in the crude oil prices in the international market reducing the import bill. The growth rate of fertilizers 11.62%, electronic goods 8.09% and agriculture and allied products 5.75% which witnessed positive growth in 2015-16. Readymade garments continued to indicate positive growth of 10.10% (Table-7).

Table -7: Composition of Imports (US $ Billion)

SI. No.	Commodities	Year		Share %	Growth %
		2014-15	2015-16		
1	2	3	4	5	6

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1	All commodities	412.59	350.78	100.00	-14.98
2	Petroleum and crude products	130.91	77.86	22.20	-40.52
3	Non POL	281.68	272.92	77.80	-3.11
4	Agriculture and allied products	19.57	20.70	5.90	5.75
5	Ores and minerals	24.64	18.12	5.17	-26.46
6	Manufacture goods	228.31	224.49	64.00	-1.67
7	Leather and leather manufactures	1.00	0.95	0.27	-5.40
8	Chemical and related products	36.29	34.82	9.93	-4.06
9	Fertilizers	6.93	7.74	2.21	11.62
10	Engineering goods	71.07	67.68	19.29	-4.47
11	Iron and steel	13.61	11.86	3.38	-12.83
12	Ferrous and nonferrous metals	11.40	10.28	2.93	-9.81
13	Non electrical machinery	13.71	12.59	3.59	-8.17
14	electrical machinery	17.51	18.90	5.39	7.89
15	Electronic goods	6.18	6.43	1.83	3.95
16	Readymade Garments	37.03	40.02	11.41	8.09
17	Textiles (excluding)Other Manufactured Goods	3.64	3.55	1.01	-2.45
18	Readymade Garments	0.49	0.54	0.15	10.19
19	Other Manufactured goods	78.79	76.93	21.93	-2.35

Source-: Ministry of Commerce and industry, CMIE

Findings of Trade Policy 2016

1. The total trade of India has fallen due to fall in both exports and imports resulting in lowest trade deficit in last five years.
2. The diminutive trend of export was deteriorated growth prospects of world economies.
3. Imports have decreased on account of fall in global oil prices.
4. The fall is attributed to global factors like decline in commodity prices, deteriorating Chinese economy etc.
5. A positive shift in terms of trade has helped India. Its economic growth is outstanding than China's economy with simultaneous contraction in the economies of Brazil and Russia.

Recently, the World Trade Organisation (WTO) cut the global trade growth forecast to 2.8% from 3.9% earlier, owing to slowdown in the emerging economies and worsening financial market. The Government of India suggested increasing its share in the global trade to 3.5% from the current level of 2% by 2020. In this regard, India has embarked on further trade liberalization with WTO trade facilitation agreement, which could give an impetus to foreign trade. Thus, in the long run, India's trade will be achieving better market access through WTO negotiations as well as integration.

IJMSRR
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New Foreign Trade Policy, 2015-2020

The BJP led National Democratic Alliance (NDA) Government announced its first new five year Foreign Trade Policy (FTY) 2015-2020 on 1st April ,2015 by replacing the earlier policy,2009-2014. The New Foreign Trade Policy (2015-2020) based on previous framework for the exporters and units in Special Economic Zones (SEZs). The main aim is increasing exports of goods and services as well as generation of employment in keeping with "Make in India" vision.

The main focus of the new policy is to support both the manufacturing and services sectors with a special emphasis on improving the 'case of doing businesses'. The Minister of Commerce and Industry stated that there were various forces shaping India and its equation with the rest of the world. The Minister urged the Government and industry to work in tandem to deal with challenges posed. She hoped this policy will prove India can increase its presence in the international market and will become a significant participant in the World Trade by 2020.

The main policy objectives and issues

The following are some of the important policy objectives and issues incorporated in the New Foreign Trade Policy (2015-2020)

1. The policy aims to increase India's exports of merchandise and services from USD 465.9 billion in 2013-2014 to approximately USD 900 billion by 2019-2020.
2. To enhance India's share world exports from 2% to 3.5%.
3. The FTP seeks to establish an Export Promotion Mission to provide an institutional framework to work with State Governments to boost India's exports.
4. Additional incentive would be provided towards exports of Defence goods agriculture goods and eco-friendly commodities and hi-tech items.
5. Introducing Merchandise Export from India Scheme (MEIS) and Services Exports from India Scheme (SEIS) to boost outward shipments.
6. Providing additional benefits to those concerns who exports commodities on the basis of indigenous raw materials under the above scheme.
7. Reducing the export share in respect of Special Economic Zones (SEZs) and to bring SEZs under the above two schemes and to raise the importance of SEZs as investment destination as an objective.
8. Implementing Foreign Trade Policy keeping in touch with 'Make in India', 'Digital India', and 'Skills India'.
9. To encourage e-commerce, the government will select those industries having larger scope of employment generation to encourage in raising their exports. These e-commerce exports include handloom products, books and periodicals, leather footwear, toys and customized fashion garments.
10. Unlike the annual reviews of the past, the FTP will be reviewed after two and half years to ensure continuity in the trade policy.

Measures Announced In the Policy

New Foreign Trade Policy, 2015-2020 introduces two new schemes, namely, "Merchandise Exports from India Schemes (MEIS) for raising exports of specified goods to specified markets and "Services Exports from India Schemes (SEIS)"for increasing exports on notified services, in place of schemes introduced earlier. For grants of rewards under MEIS, the countries have been categorized into three groups, whereas the rates of rewards under MEIS range from 2% to 5%. Under SEIS, the selected services would be rewarded at the rates of 3% to 5%.

Other measures have been adapted to judge procurement of capital goods from indigenous manufactures under the EPCG scheme by reducing specific export obligation to 75% of the normal export obligation. This measure will definitely promote the domestic capital goods manufacturing industry. Such flexibilities will help exporters to develop their productive capacities for both local and global consumption. Measures have also been taken for a boost to exports of leather footwear, toys and customized fashion garments through courier or foreign post office. It would benefit to MEIS values up to Rs.25000. These measures would capitalize India's strength in these areas and increase exports and also provide employment to its people.

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Although exports from SEZs had seen phenomenal growth, significantly higher than the overall export growth of the country, in recent times they had been facing several challenges. Move over, in order to give a boost to exports from SEZs, governments has now decided to extend benefits of both the reward schemes to units located in SEZs. It is also expected that this measure will give a new impetus to development and growth of SEZs in the country in an effective manner.

Conclusion

After independence, India adopted inward oriented strategy in its trade. The basic rationale behind it was that it would help rapid industrialization through import substitution and at the same time save valuable foreign exchange. India entered into planned development era in 1950's and at that time import substitution was a major element of India's trade and industrial policy. In 1950's India's share in the total world trade was 1.75% which reduced to 0.6% in 1995. As discussed the massive trade liberalization measures adopted after 1991 mark a major departure from the relatively protectionist trade policies pursued in earlier years. Foreign Trade Policy (FTP) or Export Import Policy (EXIM) is believed to be an important step towards the economic reforms of India. In the light of the reform policy, various trade reforms extended tax benefits and exemptions to the exporters. These include reduction in the peak rate of customer duty to 15 % reduction in duty rates for the information technology sector which is an important export sector. A number of tax benefits have also been announced for the three integral parts of "convergence revolution" in the Information Technology sector, the Telecommunication sector and Entertainment industry.

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