<u>Major Research Project</u>

On

Export, Import

AND

Economic Growth of India

<u>Submitted By</u>

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Roll No. - 2K18/MBA/045

MBA (Batch 2018-20)

<u>Under the Guidance of</u>

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CERTIFICATE FROM THE INSTITUTE

This is to certify that the Project Report titled **"Export, Import and Economic Growth of India"**, is a bonafide work carried out by **Ms. Shreya Gupta** who is a student of MBA 2018-20 batch at Delhi School of Management, DTU, Delhi. The project is submitted to Delhi School of Management, Delhi Technological University in partial fulfilment of the requirement for the award of the Degree of Masters of Business Administration.

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<u>CANDIDATE'S DECLARATION</u>

I, Shreya Gupta, student of MBA 2018-20 batch of Delhi School of Management, Delhi Technological University, Bawana Road, Delhi – 110042, hereby declare that the major research project report on **"Export, Import and Economic Growth of India"** submitted in partial fulfilment of Degree of Masters of Business Administration is the original work conducted by me under the guidance of Professor G C Maheshwari.

The information and data given in the report is authentic to the best of my knowledge. This report is not being submitted to any other University for award of any degree, diploma and fellowship.

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Abstract

Nations are concerned about improving the quality of life of their countrymen, which mainly comes from overall, i.e. macroeconomic, development in a highly competitive and globalized world. The major program of economic reform was introduce in 1991 with emphasize on external sector wherein the protective tariffs were reduced and the restrictive import licensing regime was relaxed and simplified. The objective of this paper is to study the Cross sectional comparison of import and exports from the period 2003-2004 to2016-2017 and Economic growth of the country. This paper is purely based on the secondary sources of the data collected form books, Journals, Thesis and articles, web links. The analysis includes the study of Export and import of the government of India, responses of the trade and investment policies of the Government of India. The study reveals that it has been more of globalization in India and less of globalization of India. It can be somehow concluded that, the exports are increasing with growing government focus on various policies related to it but the imports are also increasing undoubtedly. Surely, there is a greater scope for more increase in the foreign trade with better policies and reforms which lead to growth in GDP.

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1. Introduction

1.1 Overview

Since the early 1960s, both policy makers and academics have shown great interest in exploring the possible relationship between international trade and economic growth. The reason is obvious. Nations are concerned about improving the quality of life of their countrymen, which mainly comes from overall, i.e. macroeconomic, development in a highly competitive and globalized world. So, an appropriate trade policy has become very necessary and significant. Today no country in the world is self-sufficient i.e. it does not possess facilities for economical production of all the goods and services that are consumed by its people. Therefore, Foreign Trade is a vital sector of a country's national economy, and contributes substantially to the economic welfare of the people and the development of resources. There are many different approaches to achieve this goal, though not a single foolproof. One possibility is to find new export markets for goods and services, as exports, along with the imports of new technologies, is an important engine of development. This strategy, however, raises the question: should a country promote exports and/or imports to speed up economic development and growth, or should it primarily focus on economic growth to generate international trade? There has been a considerable debate on the same in the literature. It is widely believed that exports are crucial in providing the impetus for economic growth in developing countries in terms of production, new technology, and greater resource utilization and so on. Some note that imports have positive influence on economic growth. Imports of capital goods are especially important for developing countries which depend on foreign capital for their economic development programs. Imports and exports are, thus, complementary, and need to be pursued vigorously by all countries at various stages of development.

- **INDIA**

India’s foreign trade was largely determined by the strategic needs of the British colonial powers prior to its independence in 1947 .Like other colonies, India too was a supplier of raw materials and agricultural commodities to Britain and other industrial countries and it used to import the manufactured goods from Britain. But, since then, India’s Trade performance has been increasing which can be measured from various perspectives – imports, exports, trade balance, total trade, etc. and its growth over the years.

- At the level of Central Government, it is administered by the Ministry of Commerce and Industry.

- Government of India accesses financial assistance in the form of loans/ credits/ grants from various multilateral agencies. **The World Bank and the Asian Development Bank** are leading multilateral institutions for availing external assistance by India.
- **IMF** provides assistance like macro-economic growth, alleviation of poverty and economic stability, policy advice & financing, forum for cooperation in monetary system, promotion of exchange rate stability and international payment system.
- India is both a donor and a recipient of **Global Environment Facility (GEF)**.

So, the paper revolves around the Trade Performance of India over the years and the impact of it on the GDP of the Country.

1.2 Hypothesis and Objective

India has a rich history of international trade and is gradually working to reap the benefits in the best possible manner. Its impact on the economy has captured the minds of researchers and economists since ages.

Our aim of the paper is to study the cross sectional comparison of exports, imports, and GDP (all measured at current prices) in India spanning from 2003-2004 to 2016-2017, and to know:

- The direction of India's trade.
- Testing the impact of international trade on GDP of our country.
- And its impact on the Government's Actions and policies i.e. policy implications.

Since our findings have economic policy implications on the Indian trade policy, this paper is expected to make a useful contribution to the empirical literature.

2. Literature Review

Various studies have been carried out to study the Impact of Foreign Trade on the GDP of the country and on the Foreign Trade of India . Reviewing the relevant literature,

- **India's Foreign Economic Policies by Jerome B. Cohen** concludes that during the fiscal year 1953-1954, expansionary pressures in India stemming from a budget deficit and a balance-of-payments surplus were offset by expanding production and the anti-inflationary policy of the Reserve Bank. Rising urban unemployment had a deflationary impact, Exports increased and Imports fell off significantly. In the fiscal year I954-I955, exports remained stable, but imports expanded, the money supply expanded slightly, but prices fell. It was clear that a general rise in production and incomes in India would require a larger aggregate volume of imports. The International Monetary Fund Mission to India noted: The Five Year Plan is so essential to the well-being of the people of India that it should be possible to find an agreed basis for additional foreign aid to India. If the external resources are not forthcoming, more severe import controls will be needed to hold the foreign exchange deficit within available exchange resources. This will compel India to curtail imports of consumers' and developmental goods, thus creating internal inflationary pressures and retarding economic development. Unless its foreign economic policies are managed effectively, India's economic development may be retarded to the point where it falls behind a rising population. Thus domestic factors which affect its external economic relations, as well as the foreign economic policies which it pursues, are vital to India's economic growth and stability.

The above study very well concluded that proper Year Plans are needed along with increase in the domestic productivity to improve the competitiveness of the Trade of India. Effective Trade Policies and the Five Year Plans in the later periods worked very well to help improve the Position of our country in the Trade Market. This helps us to study the reasons for the change required in the views of the Government to make the country more liberalize, privatize and globalize.

- **Impact of Exports and Imports on Growth Rate of India: An Empirical Enquiry by Dr. Sushil Kumar Rai and Ms. Purvashree Jhala** provided the dependence of growth rate on the exports and imports during the entire reform period. The period after 1991 has been marked by a substantial transformation in trade policy and the policy of trade is tilted towards export promotion and import substitution/restriction to achieve higher growth rate. A causal relationship among these variables vis-à-vis growth rate, exports and imports was established and the results revealed that there is a positive relationship between growth rate and exports. The Exports and the Imports have contributed significantly in the determination of the growth. It was also observed by the paper that Imports have greater impact than Exports. Finally, it was concluded that mere Export promotion and Import substitution policy were not enough for achieving GDP Growth, but, a policy containing a proper combination of Export and Import would help better.

The study helps us to know that merely Export Promotion and Import Substitution were not enough to increase the GDP of the country. A proper combination of Export, Imports and Trade Policies were needed to overcome from the Economic Crisis of 1991. And so, various changes were seen in the upcoming Trade Policies which focused more on increasing the Exports of the country. Also, it was studies that there existed a positive relationship between Growth Rates and Exports which provides us with the base of the existing relationship between the variables and to study the trend thereafter.

- **Analysis of Trade Before and After the WTO: A Case Study of India by Dr. Shamsher Singh** provided the trade of India before and after the World Trade Organization. To analyze the impact of WTO on foreign trade of India the study was divided into two parts ten years before and ten years after the WTO. It was concluded that trade of the India has not been increased up to the expectations that results in to low gaining of benefits from world trade. The trade volume of India was increasing after the WTO implementation, and the rate of increase in imports of India was greater than rate of increase in exports. The imports remained more than exports for whole of the years during pre and post the WTO, except 1991 and 1993. The relatively slower growth rate of exports as compared to imports has contributed more towards the slower growth rate of trade. For India, both the growth rate of exports and imports has risen after the WTO. Thus, WTO has been playing a very important role in India's foreign trade.

The above study claims that India’s performance has not been up to the mark before WTO came into agreement with India. The targets achieved by the India were not up to the mark. A helping hand was needed to increase the Trade of the country and reach the desired results. Interestingly, the Trade Volume substantially increased but the worry was that the increase in Imports was more than the increase in Exports. Thus, significant role of WTO can be studied and we can see how the GDP grew and the Policies which were implemented to increase the overall performance of the country.

- **India’s international trade since globalization by Amol Dattatraya Matore and Sunanda Sagar** provided the meaning of globalization in terms of the genesis, the evolution, and the characteristics of globalization with respect of India. The analysis included the study of Export and Import of the government of India, responses of the trade and investment policies of the Government of India. The study revealed that globalization with reference of India has been rather shallow in its characteristics. So, it can be concluded that, the exports were increasing at a decreasing rate but the imports were increasing at an increasing rate. As a result, the balance of trade was becoming unfavorable to India during the post globalization period. The composition of India's foreign trade has undergone substantial changes, particularly, after the liberalization and globalization. Major Exports include manufacturing goods such as Engineering Goods, Petroleum Products, Chemicals and allied Products, Gems and Jewelries, Textiles, Electronic Goods, etc. It is a remarkable achievement that India has transformed itself from a predominantly primary goods exporting country into a non-primary goods (manufactured goods) exporting country.

This paper makes us study the transformation of Indian Trade post Globalization like the increase in the Exports of various goods. This paper leaves us to a thought that measures to increase the Exports of the country were given a thought and the initiatives were taken by the Government to increase the same. This builds our mind to look for the Trade Initiatives and Policies which will fall in favor of the Indian Trade thereby increasing the competitiveness by efficiently mobilizing the resources and study the initiatives which are already taken by the Government.

- **India’s Foreign Trade Since 1947-2015: Impact on Indian Economy Growth by Obaid-Ur-Rehman** provided that with the Liberalization, Privatization and

Globalization of the Indian economy and following liberal foreign trade, there had been changes in the business environment. There had been increase in the trade volume in the India's international trade, and the Exports from India also have increased. The total value of India's merchandise export increased from 1950-1951 to in 2014-2015. After Liberalization of 1991, India trade growth has picked up place. In the last decade and at present, the composition of trade is dominated by manufactured goods and services. The share of exports of Indian service sector in global exports is more than double of that of Indian exports. Under the central Governments' campaign "MAKE IN INDIA "new projects will be coming upon the future in our economy.

This paper provides us the with the Trade conditions in the recent years which makes us believe that Exports have increased but the ratio of increase in services is more than the manufactured goods. Also, GDP growth has been concluded which shows the changes over the years. The paper helps us study the Trade changes over the years and builds up the thoughts on programs / initiatives like MAKE IN INDIA which will help us perform better in the International Market. More of such initiatives are needed to increase the competition.

2.1 TRENDS:

1. TIME PERIOD RANGING FROM 1990 to 2003

India was a latecomer to economic reforms, embarking on the process in earnest only in 1991, in the wake of an exceptionally severe balance of payments crisis. The need for a policy shift had become evident much earlier, as many countries in East Asia achieved high growth and poverty reduction through policies which emphasized greater export orientation and encouragement of the private sector. India took some steps in this direction in the 1980s, but it was not until 1991 that the government signaled a systemic shift to a more open economy with greater reliance upon market forces, a larger role for the private sector including foreign investment, and a restructuring of the role of government.

What made India take certain economic reforms to shift to an open economy was:

"THE 1991 FINANCIAL CRISIS"

Macroeconomic crisis can be defined as "the one which generally takes the form of accelerating inflation and unsustainable fiscal and current account deficits." The deterioration in India's balance of payments situation which started from the Seventh Plan onwards ultimately reached to a critical position in the year 1990 – 91. Its origin can be traced from the inefficient management of the Indian Economy in the 1980s wherein the balance of payments was under severe pressure (due to unsustainable borrowing and high expenditure) and significant loss of foreign exchange reserves was being experienced. A number of reasons that contributed to the crisis namely,

- **Iraq- Kuwait War** led to rise in the Crude oil prices. As a result, the oil import bill increased by about 60 percent in 1990-91. This accounted for rise in trade deficit from an average of $ 356 million per month in June-August 1990 to $ 677 million per month in the following 6 months.
- **Slow Growth of Important Trading Partners**: The deterioration of the current account was also induced by slow growth in economies of important trading partners. Export markets were weak in the period leading up to India's crisis, as the world growth declined steadily from 4.5 percent in 1988 to 2.25 percent in 1991.
- **Political Uncertainty and Instability**: The period from November 1989 to May 1991 was marked with political uncertainty and instability in India. The three coalition governments led to delay in tackling the ongoing balance of payment crisis, and also led to a loss of investor confidence.
- **Loss of Investors' Confidence**: The widening current account deficits and reserve losses contributed to low investor confidence. Due to the loss of investors' confidence, commercial bank financing became hard to obtain, and outflows began to take place on short-term external debt, as creditors became reluctant to roll over maturing loans.
- **Fiscal Indiscipline**: Throughout the eighties, all the important indicators of fiscal imbalances were on the rise. These were the conventional budgetary deficit, the revenue deficit, the monetized deficit and gross fiscal deficit.
- **Increase in Non-oil Imports**: The trends in imports and exports show that imports rose much faster than exports during the eighties. Imports increased by 2.3 percent of GDP, while exports increased by only 0.3 percent of GDP. As a consequence, trade deficit increased from an average of 1.2 percent of GDP in the seventies, to 3.2 percent of GDP in eighties.

(₹ in crores)

Period	Oil Imports	Non- Oil Imports	Total Imports
1981-82 to 1985-86	26041.61 (32.00)	54491.03 (68.00)	80532.64 (100.00)
1986-87 to 1990-91	28299.75 (19.00)	120796.18 (81.00)	149095.93 (100.00)

Table 1: The Oil and Non- Oil Imports

Source: Reserve Bank of India – Handbook of Statistics on Indian Economy 2005-06

- **Rise in External Debt**: In the second half of the 1980s, the current account deficit was showing a rising trend and was becoming unsustainable. The current account deficit was mainly financed with costly sources of external finance such as external commercial borrowings, NRI deposits, etc. The current account deficit increased from ₹11,350 crore in 1989-90 to ₹17,350 crore in 1990-91.

Thus, the balance of payments situation came to the verge of collapse in 1991, mainly because the current account deficits were mainly financed by borrowing from abroad. The economic situation of India was critical; the Government was close to default. Government of India's immediate response was to secure an emergency loan of USD 2.2 billion from the International Monetary Fund by pledging 67 tons of India's gold reserves as collateral. The Reserve Bank of India had to airlift 47 tons of gold to the Bank of England and 20 tons of gold to the Union Bank of Switzerland to raise USD 600 million. These moves helped tide over the balance of payment crisis temporarily and kick-started P V Narasimha Rao's economic reform process. In the light of the above discussion, we may now examine the macroeconomic strategy for dealing with India's Economic Crisis to lift the Indian economy out of the crisis in order to achieve an effective macroeconomic turnaround:

- The profitability of exports should be systematically improved, so that selling in the domestic market does not necessarily remain more profitable than selling in the international market. This would require improved access to critical, imported raw materials and streamlining of various export incentives. The past experience shows that relatively faster growth of exports has been experienced by those industries which had ready access to imported inputs at international prices.
- Export incentives should be linked to a much greater extent with net exports rather than gross exports, i.e., exports less import content of exports. This would ensure relatively faster

growth of value added exports and also simultaneously encourage internationally competitive import substitution.

- There is a need to pursue the policy of depreciation of the real effective exchange rate. It is necessary to follow it at a rate higher than the average differential between the domestic and the international inflation rates. Such effective depreciation of Indian Rupee in real terms would lead to a significant improvement in the competitiveness of India's exports and at the same time also improve the viability of several import substitution projects which in turn could result in a reduction in import intensity in Indian manufacturing.
- There is a need to focus on the turnaround of loss making public enterprises. In the case of financially viable public enterprises, there is a need to facilitate their growth through Export oriented modernization and expansion programs. Moreover, it is necessary that more and more public enterprises are asked to finance the bulk of their current import requirements through direct export earnings.
- There is a need to decrease the ratio of government expenditure to GDP by ensuring that the percentage change in government consumption expenditure is significantly less than the expected percentage change in GDP (measured at current prices).
- Significant emphasis needs to be placed on stepping up and stream lining the tax collection effort in the areas of both direct as well as indirect taxes. It is evident; therefore, that better tax administration can contribute significantly in achieving the required reduction in the budget deficit.

2.2 OBSERVATIONS

India remained a protected economy for quite a long time that had been described as an 'import substituting country par excellence' (Rodrik 1996). Prior to the 1990s, import regime was dominated by quantitative restrictions on imports and a highly protectionist import tariff structure. The World Bank included India in the list of 'strongly inward-oriented' countries, meaning that the overall incentive structure strongly favored production for the domestic market (Dutta and Ahmed, 2004). So, in order to improve the situation, the crisis was converted into an opportunity to introduce some fundamental changes in the content and approach to economic policy. The response to the crisis was to put in place a set of policies aimed at stabilization and structural reform. The policy measures undertaken aimed at making domestic industry cost-efficient by enhancing efficiency in resource use under international competition, which was expected to derive a better export performance in the long-run. The major trade policy changes in the post-1991 period included simplification of procedures, removal of quantitative restrictions, and substantial reduction in the tariff rates as also their dispersion as recommended by the Tax Reforms Committee, 1992 (Chairman: Raja J. Chelliah). Furthermore, the reach of the export incentives was broadened, extending the benefits of various export-promotion schemes to a large number of non-traditional and non-manufactured exports. Following the announcements in the Export Import (EXIM) policies, various changes were effected such as the removal of quantitative restrictions, strengthening the export production base, removal of procedural bottlenecks, technological up gradation, and improvement of product quality. Various steps were also taken to promote exports through multilateral and bilateral initiatives, including identification of thrust areas and focus regions. The policy stance also marked a move away from the provision of direct export subsidy to indirect promotional measures. Under the policy of liberalization interest rate of the banking system were determined by all commercial Banks. Investment limit of the small scale industries had been raised to ₹1 crore. Indian industries were free to buy machines and raw materials from foreign countries to do their holistic development. Industries were free to diversify their production capacities and reduce the cost of production. According to Monopolies and Restrictive Trade Practices (MRTP) Act 1969, all those companies having assets worth ₹100 crore or more were called MRTP firms and were subjected to several restrictions. Previously private sector had to obtain license from Government for starting a new venture. In this policy private sector had been freed from licensing and other restrictions. But, licensing is necessary for liquor, cigarette, defense equipment, industrial explosives, drugs and hazardous chemical industries. Sale of shares, disinvestment in PSU's, minimization of Public Sector, forcing trade policy for longer duration, and increase in equity limit of Foreign Investment was made. A scheme for setting up Special Economic Zones (SEZs) in the country to promote exports was initiated. The SEZs are to provide an internationally competitive and hassle-free environment for exports and are expected to give a boost to the country's exports. The amended Export-Import policy, 2002-07, announced on 31 March, 2003, specifically emphasized service exports as an engine of growth.

- Through reform, India overcame its worst economic crisis in the remarkably short period of two years. Macroeconomic stabilization policies including devaluation of rupee and other structural reforms, the BOP crisis was over by the end of March 1994 and foreign exchange reserves rose to USD 15.7 billion. Inflows of both FDI and FII into India have increased. India also increasingly integrated its economy with the global economy. The ratio of total exports of goods and services to GDP in India approximately doubled from 7.3 percent in 1990 to 14 percent in 2000. This rise was less dramatic on the import side but was significant, from 9.9 percent in 1990 to 16.6 percent in 2000. Within 10 years, the ratio of total goods and services trade to GDP rose from 17.2 percent to 30.6 percent.

(₹ in crores)

Year	Exports	%change	Imports	%change	Total Trade	Trade Balance	Exports (% to GDP)	Imports (% to GDP)
1990-91	32,553.0	17.70	43,198.0	22.28	75,751.0	(10,645.0)	5.72	7.39
1991-92	44,041.0	35.29	47,851.0	10.77	91,892.0	(3,810.0)	6.73	7.31
1992-93	53,688.0	21.90	63,375.0	32.44	117,063.0	(9,687.0)	7.13	8.42
1993-94	69,751.0	29.92	73,101.0	15.35	142,852.0	(3,350.0)	8.06	8.45
1994-95	82,674.0	18.53	89,971.0	23.08	172,645.0	(7,297.0)	8.14	8.86
1995-96	106,353.0	28.64	122,678.0	36.35	229,031.0	(16,325.0)	8.92	10.29
1996-97	118,817.0	11.72	138,920.0	13.24	257,737.0	(20,103.0)	8.62	10.08
1997-98	130,100.0	9.50	154,176.0	10.98	284,276.0	(24,076.0)	8.52	10.10
1998-99	139,752.0	7.42	178,332.0	15.67	318,084.0	(38,580.0)	7.98	10.18
1999-00	159,561.0	14.17	215,236.0	20.69	374,797.0	(55,675.0)	8.15	11.04
2000-01	203,571.0	27.58	230,873.0	7.27	434,444.0	(27,302.0)	9.58	10.86
2001-02	209,018.0	2.68	245,200.0	6.21	454,218.0	(36,182.0)	9.17	10.76
2002-03	255,137.0	22.06	297,206.0	21.21	552,343.0	(42,069.0)	10.39	12.11
2003-04	293,367.0	14.98	359,108.0	20.83	652,475.0	(65,741.0)	10.65	13.04
2004-05	375,340.0	27.94	501,065.0	39.53	876,405.0	(125,725.0)	11.92	15.91
2005-06	456,418.0	21.60	660,409.0	31.80	1,116,827.0	(203,991.0)	12.73	18.41
2006-07	571,779.0	25.28	840,506.0	27.27	1,412,285.0	(268,727.0)	13.85	20.30

Table 2: Trends in India's Foreign Trade

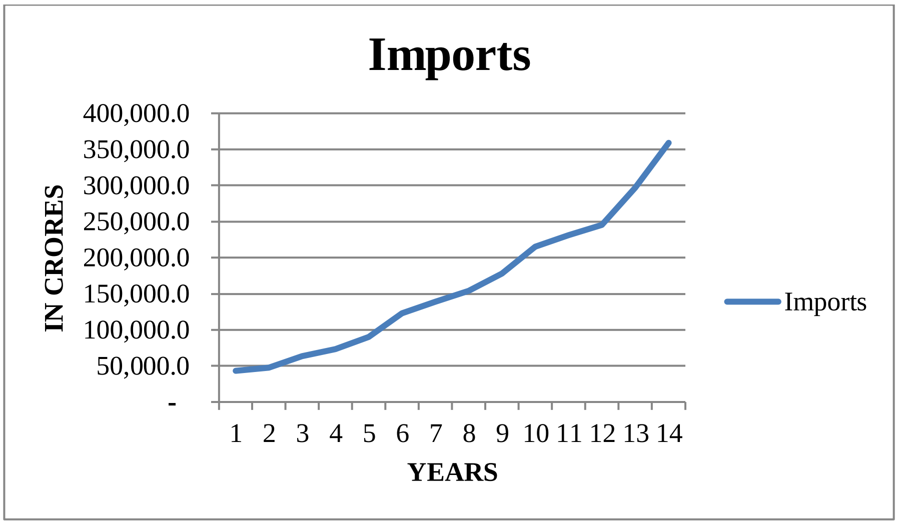
Sources: 1) Reserve Bank of India (2009), Handbook of Statistics on Indian Economy 2008-09, Mumbai

2) RBI (2010), Reserve Bank of India Bulletin, vol.64 No.8, August 2010

3) Economic Survey 2009-10, Government of India, New Delhi.

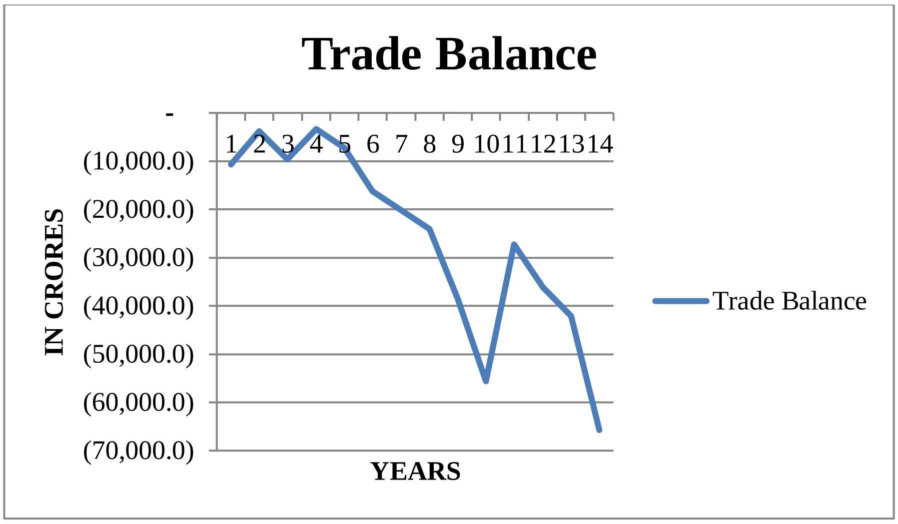
Graph1: Exports of India from 1990-91 to 2003-04

- The exports of India seem to have a positive trend over the years ranging from 1990-2003. A positive trend line shows that exports were increasing after the implementation of Foreign Trade Policy and the steps taken by the Government to improve its situation after the Economics Crisis of 1990.



Graph2: Imports of India from 1990-91 to 2003-04

- Imports of India also show a positive trend line indicating that Imports of goods and services were increasing substantially over the period 1990-2003.



Graph 3: Trade Balance of India from 1990-91 to 2003-04

- The above graph shows the Trade Balance of India for the time period ranging from 1990-2003. It can be seen from the line-trend graph that Trade Balance of the country for the initial few years was substantially low but it has been increasing since then. The year 1999 shows the increase in Trade Balance figure from -₹38,580crores to -₹55,675crores and in the year 2000, there was a cut in the Trade Balance figure to -₹27,302crores. But, thereafter it has been increasing.

- Also, reforms led to increased competition in the sectors like banking, leading to more customer choice and increased efficiency. It has also led to increased investment and growth of private players in these sectors. There was a fall in inflation rates as reforms pushed up production of goods and services resulting in either prices falling or remaining constant. There was a significant Improvement in GDP, from 1950 to 2000.

(In Percentage)

	1950-64	1965-79	1980-90	1991-2004	2000-05
GDP growth	3.7	2.9	5.8	5.6	6.2
Industrial growth	7.4	3.8	6.5	5.8	6.6
Agricultural growth	3.1	2.3	3.9	3.0	2.3
Gross investment/GDP	13.0	18.0	22.8	22.3	24.1

Table 3: Growth Data (Sector vise), 1950-2004

Source: Atul Kohli, Politics of Economic Growth in India, 1980-2005, EPW, April1, 2006, Economic Survey 2005-06

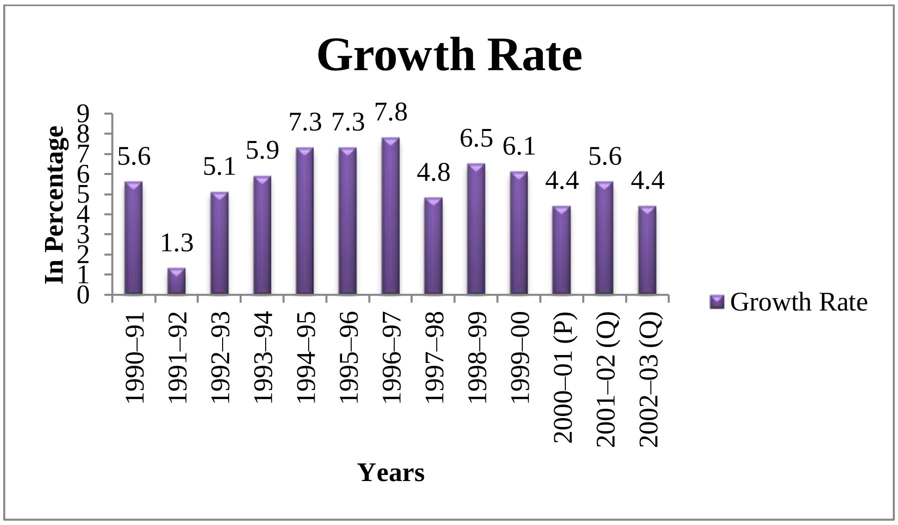
(In Percentage)

Year	Growth Rate	Year	Growth Rate
1990–91	5.6	1997–98	4.8
1991–92	1.3	1998–99	6.5
1992–93	5.1	1999–00	6.1
1993–94	5.9	2000–01 (P)	4.4
1994–95	7.3	2001–02 (Q)	5.6
1995–96	7.3	2002–03 (Q)	4.4
1996–97	7.8		

Table 4: Growth Rate of India from 1990-91 to 2002-03

Source: Author's calculations based on Table 1.2 of Economic Survey, 2002–03.

(Annual Growth Rates of GDP, 1990–03)



Graph 4: Growth Rates of India for the Year spanning from 1990-91 to 2002-03

2. TIME PERIOD RANGING from 2003 to 2017

A. INDIA's FOREIGN TRADE

Trade performance of a country can be measured from various perspectives – imports, exports, Trade Balance, total trade, etc. and its growth over the years. The impact of trade reforms is evident from the changing structure of India's Foreign Trade in terms of diversity of market and products, and also in the form of higher degree of trade openness (resulting from higher export growth and the associated increase in the capacity to import).

(₹ in crores)

Year	Export	Import	Trade Balance
2003-04	293,367	359,108	(65,741)
2004-05	375,340	501,065	(125,725)
2005-06	456,418	660,409	(203,991)
2006-07	571,779	881,515	(309,736)
2007-08	655,864	1,012,312	(356,448)
2008-09	840,755	1,374,436	(533,680)
2009-10	845,534	1,363,736	(518,202)
2010-11	1,136,964	1,683,467	(546,503)
2011-12	1,465,959	2,345,463	(879,504)
2012-13	1,634,318	2,669,162	(1,034,844)
2013-14	1,905,011	2,715,434	(810,423)
2014-15	1,896,348	2,737,087	(840,739)
2015-16	1,273,323	1,915,849	(642,526)
2016-17	1,644,589	2,290,979	(646,389)

Table 5: India's Exports and Imports for the period 2003-04 to 2016-17

The Table above gives India's Exports and Imports from 2003-2004 to 2018-2019. As may be seen from the Table that for the year 2004-05, there were increase in both Exports and Imports figures with imports crossing ₹5 lakhs crores and with annual growth of almost 40%, a double rate of growth compared to previous year; exports also performed well at ₹3.75 lakhs crores with 28% growth in 2004-05 in comparison to 15% growth in 2003-04. However, the impact was noticed more in balance of trade figures as it crossed one lakh crores (₹125725 crores) and grew with 91% in 2004-05 compared to 56% of 2003-04. From this point, the country could not recover and the balance of trade figures were ever increasing since then except for 2009-10 when the growth was negative due to global slowdown impact. The impact was such that during 2009-10, both exports and imports, there were decrease in the rate of growths; for exports it was merely 0.6%, whereas for imports, it was negative growth for the first time with – 0.8% in 2009-10. The resulting impact was that the balance of trade also showed negative growth with 2.9%. However, in 2010-11 and 2011-12, the growths of balance of trade increased along with the exports and imports. In 2010-11, the exports growth was 35% but import growth was less at 23%, resulting in only 4% growth in balance of trade. However, in 2011-12, the import grew significantly at 39% and exports grew less at 28%, resulting in whipping growth in balance of trade at 63%. Ultimately, there is a trend in settling down during 2012-13, as export and import growth were 11% and 14% and the balance of trade growth was 18%. However, in value terms, the balance of trade crossed the million mark and stood at ₹1.03 million crores in 2012-13. In year 2013-2014, export and import growth were 16.6% and 1.7% and the balance of trade account decreased to ₹810,423. For the year 2014-2015, there were decrease in the rate of growths; for exports it was -0.45%, whereas for imports it was -0.80%. The resulting impact was that the balance of trade growth was 3.74%. In the year 2015-2016, there was a significant decrease in both the exports and imports value which is seen by their respective negative growth rates i.e. -32.85% and -30%. The trade balance growth turned to -23.58%. We can see that for the period 2016-2017, there is an increase in exports by 29.16% whereas the growth rate for imports is 19.58%. The trade balance rested at ₹646,389 for the year.

B. COMPOSITION OF TRADE

The composition of India's foreign trade has undergone substantial changes, particularly, after the liberalization and globalization. Our major exports now includes manufacturing goods such as Engineering Goods, Petroleum Products, Chemicals and allied Products, Gems and Jewelries, Textiles, Electronic Goods, etc. which constitute over 80 per cent of our export basket. On the other hand, major import items constitute capital goods and intermediates, which not only support the manufacturing sector but also supplies raw-materials for the export oriented units.

- **COMPOSITION OF EXPORTS**

  Based on the categorization of exports by the Government of India, we have the following analysis of the composition of exports and changes therein. Table 1.2 represents the top Export commodities of India’s Foreign Trade for the period spanning from 2003-04 to 2016-17 (namely, iron and steel, plastic, metals, coffee, spices, cotton, etc.). Our exports have been significantly decreasing and increasing during our study period. For the period 2003-04, the export percentage of the selected commodities was 80.13% which decreased to

79.9% in the year 2006-07. ₹457253.76 crores export total was seen during this period. The percentage increased to 81.33% in the next year but the percentage couldn't be maintained a fall was seen during the year 2008-09. The exports again shot up in the subsequent years and it reached 80.72% in the year 2012-13. A significant decrease has been seen thereof i.e. the export percentage has been declining from 80.49% in 2013-14 to 78.26% in the year 2015-16 and it finally increased to 79.05% in the year 2016-17.

(₹ in crores)

HSCode	Commodity	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
71	Natural Or Cultured Pearls,Precious Or Semiprecious Stones,Pre.Metals,Clad With Pre.Metal And Artcls Thereof;Imit.Jewlry;Coin.	49,451.06	64,864.10	70,208.73	72,784.16	79,763.09	128,826.92	138,148.30
27	Mineral Fuels, Mineral Oils And Products Of Their Distillation; Bituminous Substances; Mineral Waxes.	17,159.81	32,082.87	52,537.60	85,541.99	116,877.97	127,324.15	136,853.57
62	Articles Of Apparel And Clothing Accessories, Not Knitted Or Crocheted.	16,273.06	17,670.10	24,064.86	23,908.55	21,821.24	27,125.56	29,055.48
29	Organic Chemicals	12,974.59	16,267.41	21,504.02	25,949.43	28,869.67	34,057.90	35,241.28
61	Articles Of Apparel And Clothing Accessories, Knitted Or Corcheted.	12,414.90	11,867.70	14,128.23	16,371.72	17,206.45	23,264.13	21,776.62
72	Iron And Steel	11,906.82	18,953.65	16,883.57	25,337.11	26,397.87	33,643.15	21,306.32
84	Nuclear Reactors, Boilers, Machinery And Mechanical Appliances; Parts Thereof.	11,517.15	14,858.83	18,539.76	23,038.74	27,353.92	36,496.84	34,099.57
52	Cotton.	11,330.50	10,167.47	13,212.22	17,755.51	20,714.30	14,224.31	21,622.96
85	Electrical Machinery And Equipment And Parts Thereof; Sound Recorders And Reproducers, Television Image And Sound Recorders And Reproducers,And Parts.	8,726.41	9,308.39	12,252.92	18,591.80	21,519.19	43,723.32	34,325.10
87	Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.	8,013.49	11,074.06	14,580.52	17,040.57	18,035.61	27,497.13	29,147.50
63	Other Made Up Textile Articles; Sets; Worn Clothing And Worn Textile Articles; Rags	7,467.71	8,869.65	10,540.14	10,414.43	9,574.42	10,822.31	11,662.82
30	Pharmaceutical Products	7,444.53	9,263.42	10,821.24	14,380.27	16,711.65	23,379.34	24,566.27
73	Articles Of Iron Or Steel	7,030.41	10,379.76	12,461.38	15,384.16	20,967.94	26,495.95	19,363.54
10	Cereals.	6,956.68	9,022.57	7,232.61	7,670.51	14,757.89	15,086.44	14,228.15
39	Plastic And Articles Thereof.	6,136.93	9,459.00	9,565.35	12,405.48	11,218.81	11,501.90	13,011.54
26	Ores, Slag And Ash.	6,006.84	16,799.24	19,713.27	22,059.51	28,089.47	24,814.98	31,302.45
3	Fish And Crustaceans, Molluscs And Other Aquatic Invertabrates.	5,680.95	5,904.06	6,292.04	7,077.73	5,983.59	5,958.23	8,581.93
42	Articles Of Leather,Saddlery And Harness;Travel Goods, Handbags And Similar Cont.Articles Of Animal Gut(Othr Thn Silk-	4,594.53	4,831.25	5,368.12	5,502.20	5,704.81	7,296.99	6,811.62

	Wrm)Gut.							
54	Man-Made Filaments.	3,994.80	4,466.69	4,060.16	4,650.14	5,451.06	7,060.41	9,541.41
64	Footwear, Gaiters And The Like; Parts Of Such Articles.	3,527.76	4,092.24	4,627.64	5,596.97	5,996.21	7,056.83	7,152.52
23	Residues And Waste From The Food Industries; Prepared Animal Foder.	3,400.33	3,229.94	4,971.37	5,620.82	8,313.32	10,591.74	8,191.68
57	Carpets And Other Textile Floor Coverings.	3,373.68	3,715.30	4,963.67	5,464.65	5,068.46	4,873.29	4,987.03
55	Man-Made Staple Fibres.	3,312.49	3,565.62	3,643.13	4,746.12	5,528.96	5,663.72	6,719.23
9	Coffee, Tea, Mate And Spices.	3,291.57	3,724.31	4,007.24	5,398.87	6,160.67	7,680.16	7,638.17
32	Tanning Or Dyeing Extracts; Tannins And Their Deri. Dyes, Pigments And Other Colouring Matter; Paints And Ver; Putty And Other Mastics; Inks.	3,111.60	3,111.26	3,749.71	4,562.32	5,327.43	5,899.49	6,555.92

Table6.1: Total Exports of India (2003-04 to 2009-10)

Source: commerce.gov.in

(₹ in crores)

HS Code	Commodity	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
71	Natural Or Cultured Pearls,Precious Or Semiprecious Stones,Pre.Metals,Clad With Pre.Metal And Artcls Thereof;Imit.Jewlry;Coin.	198,885.64	226,290.94	238,458.53	252,175.41	253,939.99	259,177.80	93,397.47
27	Mineral Fuels, Mineral Oils And Products Of Their Distillation; Bituminous Substances; Mineral Waxes.	194,487.68	274,387.04	337,567.33	392,383.12	351,110.80	203,885.14	216,413.32
62	Articles Of Apparel And Clothing Accessories, Not Knitted Or Crocheted.	30,364.66	38,100.08	40,290.66	50,445.57	56,220.87	61,029.45	61,762.53
29	Organic Chemicals	41,051.75	56,179.25	65,874.42	72,860.47	73,068.90	75,325.18	78,716.78
61	Articles Of Apparel And Clothing Accessories, Knitted Or Corcheted.	22,555.58	27,638.48	30,238.18	40,338.56	46,804.11	50,153.37	55,439.85
72	Iron And Steel	32,532.28	39,759.16	44,041.60	56,048.28	53,075.14	35,830.23	58,534.61
84	Nuclear Reactors, Boilers, Machinery And Mechanical Appliances; Parts Thereof.	41,377.51	52,050.75	62,846.71	73,169.92	84,432.58	86,731.40	94,803.80
52	Cotton.	31,430.48	43,601.75	48,514.30	60,486.59	47,244.70	47,983.44	44,570.51
85	Electrical Machinery And Equipment And Parts Thereof; Sound Recorders And Reproducers, Television Image And Sound Recorders And Reproducers,And Parts.	46,167.42	55,376.63	59,144.07	62,428.21	53,153.91	52,411.61	55,247.64
87	Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories	42,415.87	52,556.82	66,399.18	78,569.75	88,525.46	94,039.53	100,714.21
63	Other Made Up Textile Articles; Sets; Worn Clothing And Worn	14,128.67	18,930.43	21,987.49	27,040.18	28,405.96	30,015.54	31,668.85

	Textile Articles; Rags							
30	Pharmaceutical Products	30,383.20	40,816.86	54,773.67	67,403.71	70,815.10	84,481.21	86,944.33
73	Articles Of Iron Or Steel	29,962.97	33,987.75	40,477.62	41,256.51	46,445.06	40,251.64	39,791.55
10	Cereals.	15,235.11	30,624.91	52,567.81	63,542.85	58,282.22	40,966.26	40,624.56
39	Plastic And Articles Thereof.	18,150.36	25,311.61	28,020.54	34,153.81	31,022.09	34,338.56	35,642.19
26	Ores, Slag And Ash.	23,874.33	26,217.31	12,915.36	13,345.13	5,992.29	4,523.83	12,495.93
3	Fish And Crustaceans, Molluscs And Other Aquatic Invertabrates.	10,548.94	15,836.90	18,071.28	29,451.17	32,084.38	29,378.92	37,001.16
42	Articles Of Leather,Saddlery And Harness;Travel Goods, Handbags And Similar Cont.Articles Of Animal Gut(Othr Thn Silk-Wrm)Gut.	7,193.54	9,718.12	11,399.25	14,301.41	15,501.18	15,618.29	15,778.87
54	Man-Made Filaments.	10,468.87	12,466.41	12,112.37	15,574.81	14,621.09	13,459.62	13,378.72
64	Footwear, Gaiters And The Like; Parts Of Such Articles.	8,012.94	9,963.90	11,246.05	15,473.83	18,012.38	17,932.23	18,619.87
23	Residues And Waste From The Food Industries; Prepared Animal Foder.	11,441.72	12,308.69	17,592.36	18,597.36	10,006.15	5,236.62	7,432.59
57	Carpets And Other Textile Floor Coverings.	6,360.22	5,926.29	7,748.80	9,557.25	11,120.31	11,298.10	11,928.96
55	Man-Made Staple Fibres.	8,255.85	10,598.99	10,564.94	12,620.84	13,334.21	13,624.62	14,428.62
9	Coffee, Tea, Mate And Spices.	9,928.33	14,663.38	14,927.25	16,635.31	17,563.10	19,326.56	21,681.11
32	Tanning Or Dyeing Extracts; Tannins And Their Deri. Dyes, Pigments And Other Colouring Matter; Paints And Ver; Putty And Other Mastics; Inks.	7,719.62	9,336.34	11,371.81	15,454.90	17,205.86	16,165.14	17,250.34

Table6.2: Total Exports of India (2010-11 to 2016-17)

Source: commerce.gov.in

- ## COMPOSITION OF IMPORTS

Based on the categorization of imports by the Government of India, we have the following analysis of the composition of imports and changes therein. Table 1.3 represents the top Import commodities of India's Foreign Trade for the period spanning from 2003-04 to 2016-17 (namely, iron and steel, plastic, mineral oils, cotton, etc.). From the period 2003 to 2011, the imports of the selected commodities have increased and the change revolves around a percentage of 90% to 91%. Also, the import percentage of these commodities reached 93.14% in the year 2008-09 which the highest so far, but in the year 2009-10, it again declined and reached 91.70%. A significant decrease has been seen thereof i.e. the import percentage has been declining from 90.80% to 88.77% in the year 2016-17. The import figure of the top 25 commodities reached ₹2,287,891.06 crores in the year 2016-2017.

(₹ in crores)

HS Code	Commodity	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
27	Mineral Fuels, Mineral Oils And Products Of Their Distillation; Bituminous Substances; Mineral Waxes.	104,311.08	156,445.45	222,740.24	279,907.27	347,205.46	466,747.35	455,178.83
71	Natural Or Cultured Pearls,Precious Or Semiprecious Stones,Pre.Metals,Clad With Pre.Metal And Artcls Thereof;Imit.Jewlry;Coin.	65,044.51	93,387.35	91,604.14	102,249.88	106,451.99	197,015.03	218,248.46
83	Nuclear Reactors, Boilers, Machinery And Mechanical Appliances; Parts Thereof.	31,857.46	43,366.98	61,606.78	84,228.25	101,808.67	121,154.24	113,682.82
84	Electrical Machinery And Equipment And Parts Thereof; Sound Recorders And Reproducers, Television Image And Sound Recorders And Reproducers,And Parts.	30,165.68	40,193.31	52,680.40	65,924.91	80,812.49	115,062.18	104,765.83
29	Organic Chemicals	14,363.01	18,784.89	22,775.24	27,329.75	32,642.33	38,852.82	44,505.49
15	Animal Or Vegetable Fats And Oils And Their Cleavage Products; Pre. Edible Fats; Animal Or Vegetable Waxex.	11,868.59	11,372.75	10,151.70	10,261.37	11,129.67	16,089.11	26,697.31
72	Iron And Steel	8,155.31	15,077.42	24,113.34	27,741.87	36,592.16	46,917.25	41,746.54
89	Optical, Photographic Cinematographic Measuring, Checking Precision, Medical Or Surgical Inst. And Apparatus Parts And Accessories Thereof;	7,143.03	9,053.55	11,759.35	14,083.13	17,015.09	22,242.38	20,834.66
88	Ships, Boats And Floating Structures.	6,363.29	7,954.74	12,004.04	12,175.25	17,389.30	21,233.60	15,152.45
28	Inorganic Chemicals; Organic Or Inorganic Compounds Of Precious Metals, Of Rare-Earth Metals, Or Radi. Elem. Or Of Isotopes.	5,916.26	8,130.10	10,445.86	11,473.27	11,392.82	21,492.12	16,269.72
39	Plastic And Articles Thereof.	5,685.28	7,491.70	11,318.34	13,386.78	16,557.76	20,385.44	6,128.93
87	Aircraft, Spacecraft, And Parts Thereof.	5,371.49	7,153.93	22,045.60	23,818.99	53,569.97	24,625.39	23,520.87
38	Miscellaneous Chemical Products.	3,362.05	4,045.33	5,024.69	6,390.18	7,357.38	10,688.00	11,579.25
44	Wood And Articles Of Wood; Wood Charcoal.	3,325.38	4,077.11	4,230.53	4,845.44	5,686.56	6,263.61	7,688.19
48	Paper And Paperboard; Articles Of Paper Pulp, Of Paper Or Of Paperboard.	2,961.85	3,188.16	4,056.51	5,301.00	5,506.97	7,921.78	6,904.86
73	Articles Of Iron Or Steel	2,951.19	3,983.79	5,789.12	11,448.46	13,265.66	16,807.73	13,229.13
7	Edible Vegetables And Certain Roots And Tubers.	2,622.17	2,018.73	2,823.04	4,578.60	5,674.88	6,556.19	10,653.98
86	Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.	2,594.51	3,794.41	4,523.34	6,154.94	9,401.43	13,695.21	14,643.34
26	Ores, Slag And Ash.	2,327.39	4,562.23	6,837.87	25,974.73	18,705.82	21,412.44	21,580.52
31	Fertilisers.	2,313.94	4,320.68	7,423.84	12,118.55	18,454.10	54,837.43	28,479.76
40	Rubber And Articles Thereof.	2,247.58	3,045.03	3,281.24	5,050.46	5,979.61	7,396.74	8,634.28
52	Cotton.	2,222.91	2,015.28	1,939.57	2,104.64	2,195.75	2,900.15	2,360.91
8	Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.	2,174.93	2,911.65	3,484.68	3,736.64	3,576.21	5,048.66	5,922.90

47	Pulp Of Wood Or Of Other Fibrous Cellulosic Material; Waste And Scrap Of Paper Or Paperboard.	1,880.04	2,199.46	2,537.15	2,892.67	3,132.12	3,706.30	4,177.84
25	Salt; Sulphur; Earths And Stone; Plastering Materials, Lime And Cement.	1,849.78	2,905.41	3,372.98	3,887.29	5,662.75	11,141.42	7,961.17

Table7.1: Total Imports of India (2003-04 to 2009-10)

Source: commerce.gov.in

(₹ in crores)

HS Code	Commodity	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
27	Mineral Fuels, Mineral Oils And Products Of Their Distillation; Bituminous Substances; Mineral Waxes.	527,787.71	827,965.68	986,085.57	1,098,311.62	953,438.80	632,021.89	691,279.77
71	Natural Or Cultured Pearls,Precious Or Semiprecious Stones,Pre.Metals,Clad With Pre.Metal And Artcls Thereof;Imit.Jewlry;Coin.	350,396.43	434,598.46	455,856.02	345,029.56	381,514.70	369,480.50	360,262.29
83	Nuclear Reactors, Boilers, Machinery And Mechanical Appliances; Parts Thereof.	132,161.94	180,001.65	191,736.06	185,270.12	194,162.77	215,429.02	215,314.59
84	Electrical Machinery And Equipment And Parts Thereof; Sound Recorders And Reproducers, Television Image And Sound Recorders And Reproducers,And Parts.	123,859.25	157,337.53	162,266.98	176,460.98	202,763.99	235,586.83	258,696.29
29	Organic Chemicals	57,549.80	69,144.21	85,439.09	103,156.90	108,319.83	101,986.09	103,797.91
15	Animal Or Vegetable Fats And Oils And Their Cleavage Products; Pre. Edible Fats; Animal Or Vegetable Waxex.	30,056.18	46,568.05	61,630.10	57,152.82	65,184.54	68,927.14	73,406.92
72	Iron And Steel	50,133.22	65,749.40	74,125.28	54,908.18	75,516.31	73,557.89	55,277.57
89	Optical, Photographic Cinematographic Measuring, Checking Precision, Medical Or Surgical Inst. And Apparatus Parts And Accessories Thereof;	24,109.12	31,907.54	37,181.27	40,636.00	43,109.10	47,581.26	49,624.12
88	Ships, Boats And Floating Structures.	16,016.08	21,573.88	39,285.19	40,895.89	30,662.58	29,716.58	38,058.02
28	Inorganic Chemicals; Organic Or Inorganic Compounds Of Precious Metals, Of Rare-Earth Metals, Or Radi. Elem. Or Of Isotopes.	17,236.10	27,791.60	28,770.37	29,063.08	31,413.15	33,169.58	31,724.45
39	Plastic And Articles Thereof.	34,477.10	40,577.91	52,283.05	61,071.80	71,397.78	74,566.28	77,577.56
87	Aircraft, Spacecraft, And Parts Thereof.	15,675.63	19,811.10	25,691.41	26,033.74	28,792.91	32,577.67	56,445.31
38	Miscellaneous Chemical Products.	13,934.90	17,854.59	20,649.70	23,107.37	25,493.54	27,207.39	30,566.93
44	Wood And Articles Of Wood; Wood Charcoal.	7,763.10	12,271.77	14,743.22	16,033.26	16,021.06	15,502.34	13,403.33

48	Paper And Paperboard; Articles Of Paper Pulp, Of Paper Or Of Paperboard.	9,209.01	11,892.26	12,406.18	14,517.82	15,801.87	16,204.57	18,162.94
73	Articles Of Iron Or Steel	16,465.41	21,826.91	22,308.21	21,798.37	24,355.14	24,519.78	23,260.62
7	Edible Vegetables And Certain Roots And Tubers.	7,582.27	9,488.97	13,408.34	12,928.15	17,358.82	26,409.29	28,813.12
86	Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.	19,029.77	24,735.06	26,847.76	27,080.44	29,722.46	32,642.18	31,653.15
26	Ores, Slag And Ash.	24,927.10	32,062.33	39,803.04	39,386.46	45,040.07	35,296.60	28,693.89
31	Fertilisers.	28,321.74	44,996.03	40,412.45	32,639.45	39,106.15	45,973.11	28,754.19
40	Rubber And Articles Thereof.	13,309.65	18,470.16	19,785.69	20,778.65	19,863.74	19,064.68	19,500.49
52	Cotton.	1,895.18	2,430.88	4,280.24	4,312.04	4,511.43	3,907.65	7,581.65
8	Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.	6,291.89	10,051.34	11,744.38	12,480.93	16,287.75	19,883.99	20,359.53
47	Pulp Of Wood Or Of Other Fibrous Cellulosic Material; Waste And Scrap Of Paper Or Paperboard.	5,207.85	6,524.46	6,990.52	8,378.75	10,323.08	10,698.85	11,087.62
25	Salt; Sulphur; Earths And Stone; Plastering Materials, Lime And Cement.	8,388.82	16,468.01	16,493.23	14,315.67	16,608.62	16,846.74	14,588.81

Table7.2: Total Imports of India (2010-11 to 2016-17)

Source: commerce.gov.in

C. DIRECTION OF INDIA'S FOREIGN TRADE

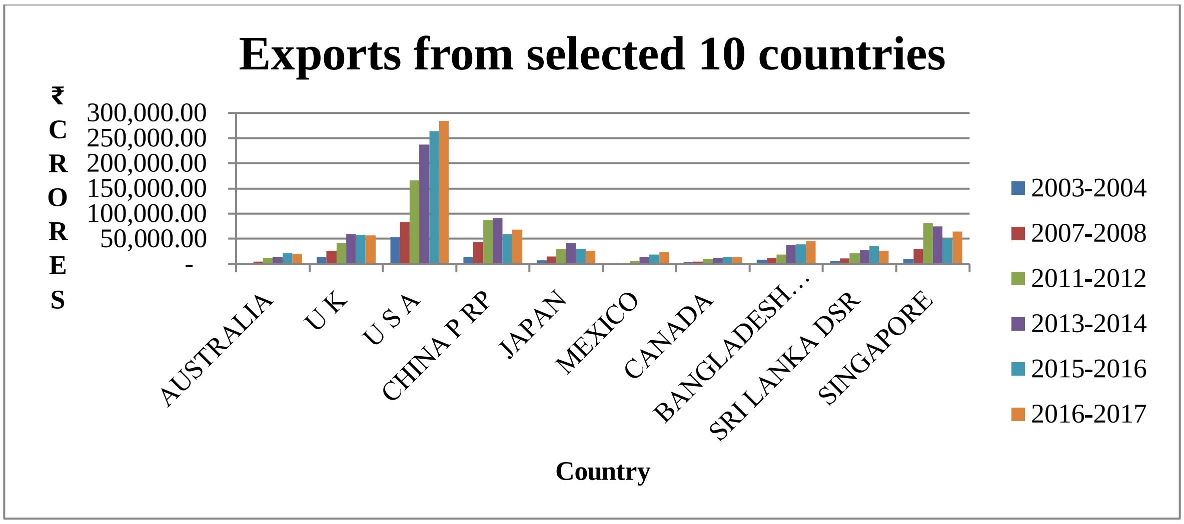
Over the years, India's trade with various countries has gone up substantially as can be seen in the following table. Apart from that, India is now a major player in global trading system and all the major sectors of Indian economy are linked to world outside either directly or indirectly through international trade.

(₹ in crores)

S.No.	Country	2003-04	2007-08	2011-12	2013-14	2015-16	2016-17
1	Australia	2,684.91	4,630.13	11,990.22	13,958.49	21,331.63	19,886.34
2	UK	13,892.31	26,967.48	41,140.23	59,219.16	57,771.40	57,386.98
3	USA	52,798.54	83,388.07	166,455.42	236,589.80	263,859.28	283,806.53
4	China PRP	13,579.06	43,597.42	87,470.82	90,561.09	58,932.74	68,417.53
5	Japan	7,854.45	15,515.59	30,511.34	41,253.45	30,433.54	25,852.37
6	Mexico	1,215.07	2,382.05	6,578.45	13,571.28	18,793.55	23,291.37
7	Canada	3,507.00	5,094.01	9,923.74	12,344.04	13,206.80	13,469.78
8	Bangladesh PR	7,998.98	11,743.21	18,386.69	37,411.26	39,527.25	45,126.82
9	Sri Lanka DSR	6,061.91	11,374.29	20,951.46	27,643.67	34,651.84	26,291.12
10	Singapore	9,763.93	29,662.23	80,363.00	74,966.20	50,531.32	64,144.04

Table 8.1: India's Foreign Trade (Exports) with selected 10 countries

Source: commerce.gov.in



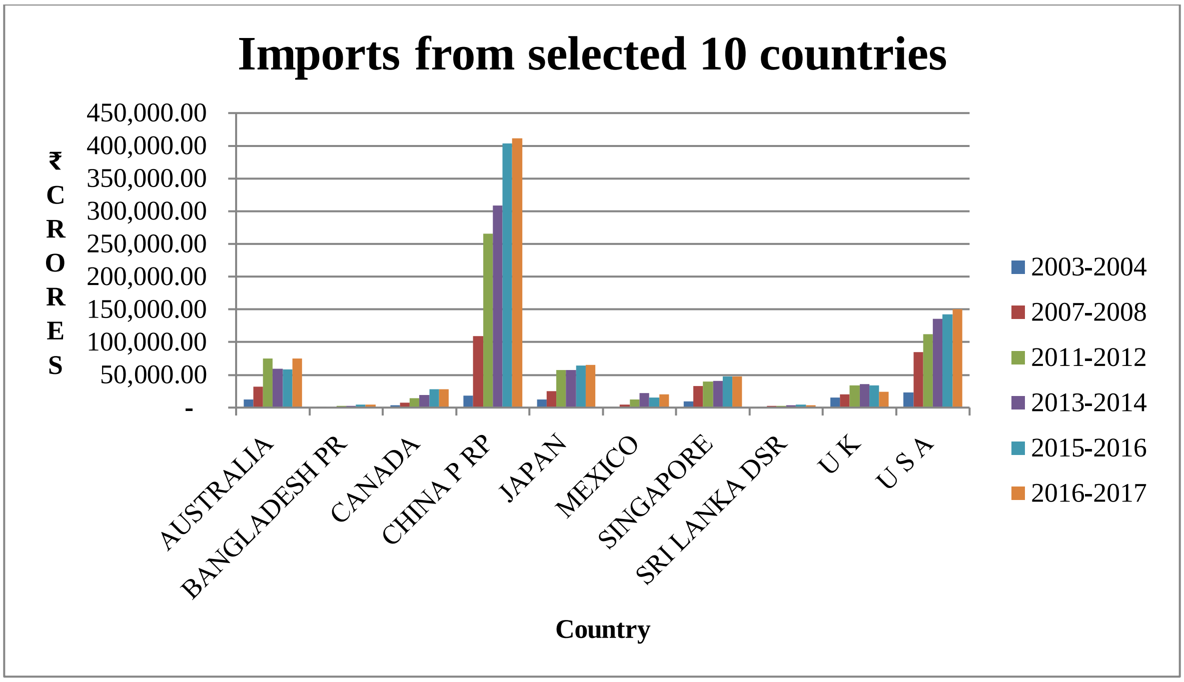
Graph 5.1: India's Foreign Trade (Exports) with selected 10 countries

(₹ in crores)

S.No.	Country	2003-04	2007-08	2011-12	2013-14	2015-16	2016-17
1	Australia	12,173.59	31,552.08	74,619.62	58,957.59	58,180.67	74,864.43
2	Bangladesh PR	356.71	1,034.68	2,796.36	2,903.33	4,767.07	4,721.63
3	Canada	3,335.57	7,940.18	14,112.66	19,029.83	27,792.77	27,726.11
4	China PRP	18,625.14	109,116.07	265,465.62	309,234.96	404,043.38	411,124.50
5	Japan	12,258.39	25,457.80	57,671.03	57,211.69	64,493.15	65,424.97
6	Mexico	339.55	4,765.43	12,413.51	22,353.02	14,905.12	19,775.91
7	Singapore	9,582.60	32,682.18	39,708.48	41,063.47	47,734.89	47,540.89
8	Sri Lanka DSR	894.85	2,540.92	3,036.60	4,064.45	4,853.58	4,039.80
9	UK	14,862.26	19,941.52	34,093.94	36,043.02	33,936.31	24,583.53
10	USA	23,135.83	84,625.42	112,362.90	135,613.46	142,678.20	149,897.94

Table 8.2: India's Foreign Trade (Imports) with selected 10 countries

Source: Commerce.gov.in



Graph 5.2: India's Foreign Trade (Imports) with selected 10 countries

D. Economic Growth in India

The growth experience of India since independence in 1947, has been relatively unique amongst developing countries. It achieved neither the 'miracle' growth rates (exceeding 6 percent and going as high as 10 percent annually) of neighboring East and Southeast

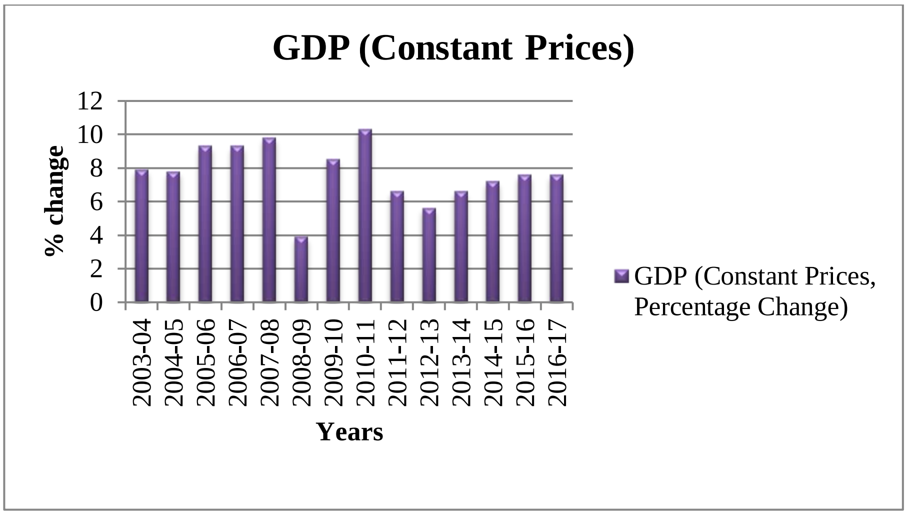
Asian nor prolonged periods of stagnation and/or decline as experienced by some African and Latin American countries. Instead growth has been relatively stables, and in consequence Indian GDP has increased significantly during the period 1950-2005. From 1950 to 1980 India adopted a classic import substitution approach to development, with a socialist dimension, and over this period grew at the so-called "Hindu" rate of 3.5% per annum. From 1980 onwards, however, the Indian state has shifted more towards the East Asian models of development and has achieved a higher growth rate of over 5% per annum. A glance at the table 1.5 clarifies that economic growth in India has continued to high since 2000. The growth has been particularly high in industry, with agriculture experiencing lower rates of growth. The table indicates the real GDP growth at constant prices for the period 2003-04 to 2016-17. There was a significant increase in GDP growth from 7.9% on 2003-04 to 9.8% in 2007-08. A drastic fall was seen in the year 2008-09 with the GDP value of 3.9%. In 2010-11, a 10.3% of GDP was seen but a decline in this percentage was seen thereof. A 6.6% value was reached in the year 2013-2014 which was a question of major concern. Steps were taken to bring back the Real GDP Growth rates to the target. Eventually, GDP increased and reached 7.6% in the year 2015-16. The rate has been same for the period 2016-17.

(% change)

Years	GDP (Constant Prices)	Years	GDP (Constant Prices)
2003-04	7.9	2010-11	10.3
2004-05	7.8	2011-12	6.6
2005-06	9.3	2012-13	5.6
2006-07	9.3	2013-14	6.6
2007-08	9.8	2014-15	7.2
2008-09	3.9	2015-16	7.6
2009-10	8.5	2016-17	7.6

Table 9: Real GDP Growth for the Period 2003 to 2017

Source: https://knoema.com/atlas/India/Real-GDP-growth



Graph 6: Real GDP Growth for the Period 2003 to 2017

3. Research Methodology

Our analysis is proceeded in the following manner:

1. Analysis of the Existing Literature on foreign trade policies of India
2. Fetching the dataset from live sources of portals and govt. reports
3. Implementation and execution of the dataset on statistical tools
4. Generation of assorted reports and graphs for analysis and drawing the conclusion

The study is based on the econometric analysis through regression, t test/R^2 to see the effect of the Explanatory variables i.e. Value of Imports and Exports, Consumption, Investment and Government Expenditure on the dependent variables i.e. Gross Domestic Product (GDP) for the snapping period 2003-2004 to 2016-2017.

A multivariable regression equation has been constructed in the log form. Database is purely based on the secondary sources of the data collected form books, Journals, Thesis and articles, web links. The database collected provides us with the figures from the year 2003 to 2016.

With the help of the Keynesian model, the following regression model can be used to study the impact of Net Exports on the GDP of our country:-

Ln GDPt= Ln Ct + Ln It + Ln Gt +Ln Xt +Ln Mt + Ut

Where

- Ln= Log
- C= Consumption
- I= Investment
- G= Government Expenditure
- X= Exports
- M= Imports

3.1 Keynesian Model Of Income Determination

The Keynesian model of income determination in the macroeconomic analysis is:

AD= C + I + G + NX

Wherein,

1. AD = Aggregate Demand i.e. the total amount of goods demanded in an economy.
2. I = Investment
3. C = Consumption
4. G = Government Expenditure
5. NX = Net Exports i.e. Exports minus Imports

It analyses the feedback effects between spending ad output.

Assumptions of the Keynesian Theory are-

- The prices of the goods and the factors of production do not change or are given.
- The firms are willing to sell any amount of the output at the given price level.
- The above two imply that the short run aggregate supple curve will be flat and hence changes in aggregate demand will determine the economy's level of output.

The equilibrium level of output exists where the quantity of output produced equals the quantity of output demanded i.e. AD=Y

Hence, the equation becomes-

Y= AD = C + I + G + NX

The above equation denotes the **income- expenditure identity** stating that income (Y) equals total expenditure (C + I + G + NX).

Where,

- Y= National income/ GDP
- C= Private Final Consumption Expenditure
- I= Investment Expenditure
- G= Government Final Consumption Expenditure
- X= Exports of Goods and Services

- M= Imports of Goods and Services

3.2 REGRESSION EQUATION

In our paper, we have run the following regression equation (Expenditure approach) to test the results:-

LN GDP = LN PFCE + LN CF + LN GFCE + LN X + LN M + Ut

Where,

LN PFCE, LN CF, LN GFCE, LN X, LN M are the explanatory variables of the regression model and LN GDP is the dependent variable.

- LN= Log
- LN PFCE= Private Final Consumption Expenditure
- LN CF= Capital Formation
- LN GFCE= Government Final Consumption Expenditure
- LN X= Exports of Goods and Services
- LN M= Imports of Goods and Services

LN GDP= a + b1 (LN PFCE) + b2 (LN CF) + b3 (LN GFCE) + b4 (LN X) + b5 (LN M)

Here,

- a= Intercept coefficient
- b1= Coefficient of LN PFCE
- b2= Coefficient of LN CF
- b3= Coefficient of LN GFCE
- b4= Coefficient of LN X
- b5= Coefficient of LN M

It will be a cross sectional analysis for the given time period. Excel was used to run regressions and find the desired results. We have included the complete Keynesian model to avoid any discrepancies while running the regression equations.

The **OLS ESTIMATORS** are used to find the estimation of the results. There are several methods of obtaining the Sample Regression Function as an estimator of the true Population Regression Function, in Regression Analysis the method that is used most frequently is the least squares (LS), more popularly known as the , method of ordinary least squares (OLS). The method of ordinary least squares is attributed to Carl Friedrich Gauss, a German mathematician. Under the following assumptions, the method of least squares has some very attractive statistical properties that have made it one of the most powerful and popular methods of regression analysis.

The Population Regression Function in three variables is-

Yt = B1 + B2X2t + B3X3t + Ut

Where,

- Y= the dependent variable
- X2 and X3 are the explanatory variables
- U= the stochastic disturbance term
- t= the tth observation

To find the OLS, we write the Sample Regression Function corresponding to the Population Regression Function.

Yt = b1 + b2X2t + b3t + et

Where,

- e is the residual term
- b's are the estimators of the population coefficients, the B's.
- b1 = the estimator of B1
- b2 = the estimator of B2
- b3 = the estimator of B3

The three OLS estimators:

$$\bar{Y} = \hat{\beta}_1 + \hat{\beta}_2 \bar{X}_2 + \hat{\beta}_3 \bar{X}_3$$

$$\sum Y_i X_{2i} = \hat{\beta}_1 \sum X_{2i} + \hat{\beta}_2 \sum X_{2i}^2 + \hat{\beta}_3 \sum X_{2i} X_{3i}$$

$$\sum Y_i X_{3i} = \hat{\beta}_1 \sum X_{3i} + \hat{\beta}_2 \sum X_{2i} X_{3i} + \hat{\beta}_3 \sum X_{3i}^2$$

The implications of OLS estimators of the multiple regression model are-

1. The Sample Regression Function obtained by the OLS passes through the sample mean values of X and Y.

2. The mean value of the residuals is always zero which provides a check on the arithmetical accuracy of the calculations.
3. The sum of product of the residuals ei and the values of explanatory variables is zero i.e. they are uncorrelated.
4. The sum of the product of the residuals ei and the estimated Y is zero.

The properties of OLS estimators of the multiple regression model are-

1. OLS estimators are the linear estimators i.e. they are linear functions of the random variable Y.
2. OLS estimators are unbiased estimators.
3. The OLS estimator of the error variance is unbiased.
4. OLS estimators are efficient.

4. REGRESSION RESULTS:

The following results are based on the data set collected from 14 years i.e. 2003-04 to 2015-16.

(₹ in crores)

Year	GDP	PFCE	CF	GFCE	X	M
2003-04	3,004,190	1,823,227	772,608	340,962	447,450	512,250
2004-05	3,242,209	1,917,508	1,011,178	354,518	569,051	625,945
2005-06	3,543,244	2,083,309	1,183,303	386,007	717,424	829,926
2006-07	3,871,489	2,259,892	1,364,821	400,579	863,459	1,008,198
2007-08	4,250,947	2,471,397	1,606,175	438,919	914,628	1,110,963
2008-09	4,416,350	2,649,610	1,566,233	484,459	1,048,140	1,363,302
2009-10	4,790,847	2,845,303	1,737,527	551,702	999,030	1,334,180
2010-11	5,282,386	3,092,373	1,976,745	583,544	1,195,003	1,542,428
2011-12	5,633,050	3,378,506	2,103,756	623,574	1,381,129	1,867,249
2011-12*	8,736,039	4,910,447	3,204,473	968,375	2,143,931	2,715,554
2012-13*	9,226,879	5,170,252	3,342,627	973,498	2,288,581	2,878,384
2013-14*	9,839,434	5,520,068	3,412,575	977,521	2,466,632	2,643,368
2014-2015 @	10,552,151	5,864,283	3,603,258	1,102,607	2,508,402	2,664,390
2015-2016 (AE)	11,350,962	6,310,565	3,793,324	1,138,558	2,349,643	2,496,119

Table 10.1: Regression Results

Source: Central Statistics Office.

Notes:

*** Second revised estimates; @ First revised estimates; AE: Advance Estimates**

PFCE : Private Final Consumption Expenditure

GFCE : Government Final Consumption Expenditure

CF : Capital Formation

X : Export of Goods and Services

M : Import of Goods and Services

(₹ in crores)

Year	LN GDP	LN PFCE	LN CF	LN GFCE	LN X	LN M
2003-04	14.9155	14.4161	13.5575	12.7395	13.0113	13.1466
2004-05	14.9918	14.4665	13.8266	12.7785	13.2517	13.3470
2005-06	15.0806	14.5495	13.9838	12.8636	13.4834	13.6291
2006-07	15.1691	14.6308	14.1265	12.9007	13.6687	13.8237
2007-08	15.2627	14.7203	14.2894	12.9921	13.7263	13.9207
2008-09	15.3008	14.7899	14.2642	13.0908	13.8625	14.1254
2009-10	15.3822	14.8612	14.3680	13.2208	13.8145	14.1038
2010-11	15.4799	14.9444	14.4970	13.2769	13.9937	14.2489
2011-12	15.5442	15.0329	14.5592	13.3432	14.1384	14.4400
2011-12*	15.9830	15.4069	14.9801	13.7834	14.5782	14.8145
2012-13*	16.0376	15.4584	15.0223	13.7887	14.6434	14.8727
2013-14*	16.1019	15.5239	15.0430	13.7928	14.7184	14.7876
2014-2015 @	16.1718	15.5844	15.0973	13.9132	14.7352	14.7955
2015-2016 (AE)	16.2448	15.6577	15.1488	13.9453	14.6698	14.7302

Table 10.2: Regression Results

Regression Statistics	
Multiple R	0.999854054
R Square	0.999708128
Adjusted R Square	0.999525709
Standard Error	0.010208608
Observations	14

Table10.3: Regression Results (Summary Output)

ANOVA					
	df	*SS*	*MS*	*F*	*Significance F*
Regression	5	2.855646947	0.571129389	5480.263948	6.55E-14
Residual	8	0.000833725	0.000104216		
Total	**13**	**2.856480672**			

Table10.4: Regression Results

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	0.490569726	0.376443822	1.30316849	0.228771168	-0.37751128	1.35865074	-0.3775113	1.358650735
LN PFCE	0.7102015	0.146741406	4.83981665	0.00128843	0.371815211	1.04858779	0.37181521	1.04858779
LN CF	0.13372865	0.06182227	2.16311451	0.062485417	-0.00883376	0.27629106	-0.0088338	0.276291062
LN GFCE	0.192068891	0.115143241	1.66808654	0.13385373	-0.0734519	0.45758968	-0.0734519	0.45758968
LN X	0.217152913	0.082340317	2.63726108	0.029839918	0.027275802	0.40703002	0.0272758	0.407030024
LN M	-0.220959665	0.05166482	-4.2767916	0.002699214	-0.34009895	-0.10182038	-0.340099	-0.10182038

Table10.5: Regression Results

Observation	Predicted LN GDP	Residuals
1	14.90936675	0.006133252
2	14.99656121	-0.004761214
3	15.08085675	-0.000256753
4	15.16204465	0.007055347
5	15.2560221	0.006677899
6	15.30538515	-0.004585147
7	15.38922189	-0.007021892
8	15.48318927	-0.003289272
9	15.55629083	-0.012090829
10	15.97549576	0.007504239
11	16.02003097	0.01756903
12	16.10519497	-0.00329497
13	16.18045131	-0.008651308
14	16.24578838	-0.000988381

Table10.6: Regression Results (Residual Output)

After running the equation, the following regression equation is seen-

$$LN\ GDP = 0.4905 + 0.7102\ (LN\ PFCE) + 0.1337\ (LN\ CF) + 0.1920\ (LN\ GFCE) + 0.2171\ (LN\ X) - 0.2209\ (LN\ M)$$

Here,

- a= 0.4905
- b1= 0.7102
- b2= 0.1337
- b3= 0.1920
- b4= 0.2171
- b5= -0.2209

5. Conclusion

The **Econometric Table-1** is the Model Summary of the variables. The R2 value is .999854, which represents the multiple correlation coefficients. It indicates a high degree of correlation. The R2 value indicates how much of the dependent variable, "GDP of India" can be explained by the independent variable, " of explanatory variables i.e. Private Final Consumption Expenditure (in crores), investment (in crores), Government Final Consumption Expenditure (in crores), Imports of Goods and Services (in crores), Export of Goods and Services (in crores)". In this case, 99.9% can be explained, which is very good fit. The closer to 1, the better the regression line (read on) fits the data. Around 99.98 % of GDP is explained by the explanatory variables used in the regression model.

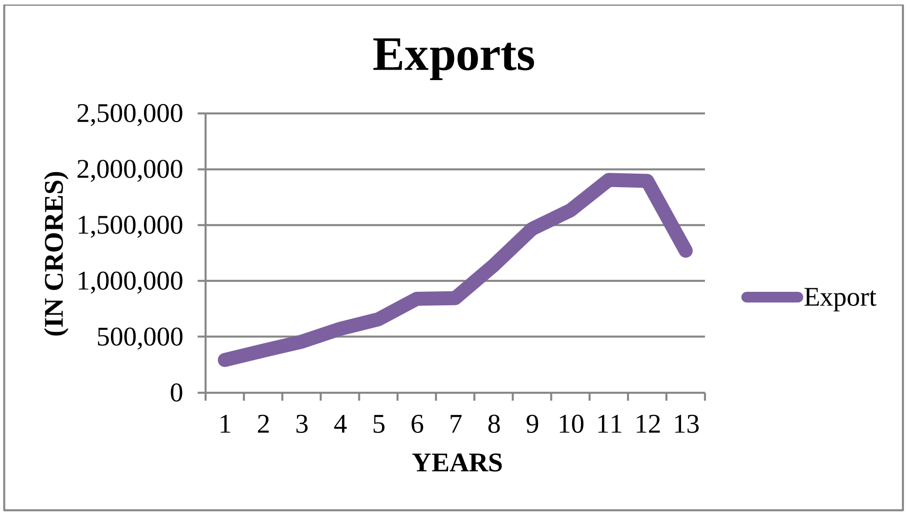
The **Econometric table-2** tells us about the overall significance (F Test) of the regression model. (F=5480.263948) is statistically significant, which means that the model is statistically significant. Also, it can be seen that Exports and Imports have significant impact on GDP but surely Imports have a more significant impact as compared to exports.

The **Econometric table-3** shows the estimated results of model of India for the data-sets of the period of study which focus on the five predictors, whether they are statistically significant and, if so, the direction of the relationship. The total consumption i.e. Private Final Consumption Expenditure (LN PFCE) (t=4.8398) is significant (p=0.0012), and has positive impact on the GDP of India. Next, the effect of investment in GDP i.e. Gross fixed capital formation + change in stocks (LN CF) (t=2.1631, p=.062) is significant and its coefficient is positive indicating that investment is positively affecting the GDP of India. India’s Government Final Consumption Expenditure is also significant t-value (LN GFCE) (1.6680, p=.1138) and so is p, the coefficient is positive which would indicate that the positive effect on GDP. Finally, the Exports and Imports (LN X and LN M respectively) (t=2.637, p=.0298 and t=-4.2767, p=.00269 respectively) have statistically significant values for the data set and indicate that exports have a positive effect on the GDP of the country while the coefficient of imports is negative which implies that it has a negative effect on the GDP of India.

The **Econometric table-3** also allows us to discuss about the individual coefficients.

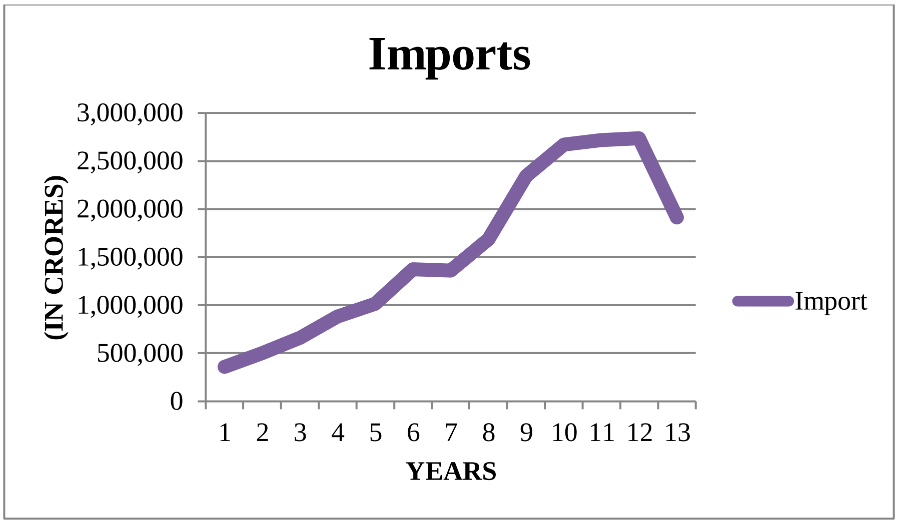
- The intercept term i.e. 0.4905 tells us that if all the explanatory variables turn out to be 0 then LN GDP is equals to the intercept term, which has no intrinsic/economic meaning.

- The coefficient of LN PFCE i.e. 0.7102 says that a percentage increase in Private Final Consumption Expenditure would increase the GDP of the country by 71%.
- The coefficient of LN CF i.e. 0.1337 says that a percentage increase in Capital Formation would increase the GDP of the country by 13.37%.
- The coefficient of LN GFCE i.e. 0.1920 says that a percentage increase in Government Final Consumption Expenditure would increase the GDP of the country by 19.20%.
- The coefficient of LN X i.e. 0.2171 says that a percentage increase in Export of Goods and Services would increase the GDP of the country by 21.71%.
- The coefficient of LN M i.e. -0.2209 says that a percentage increase in Imports of Goods and Services would decrease the GDP of the country by 22.09%.



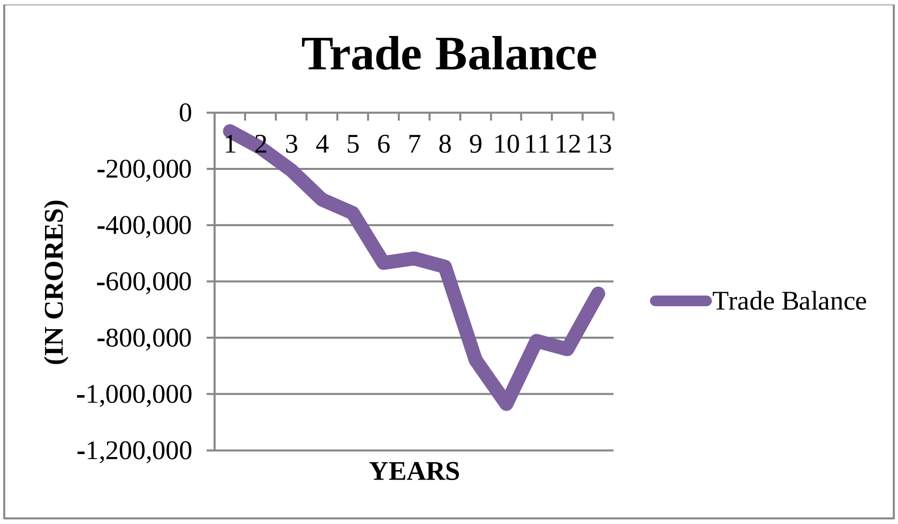
Graph 7.1: Total Exports of Goods and Services

The above graph shows the Exports of Goods and Services for the period ranging from 2003-04 to 2015-16. The line-trend graph shows an increasing trend till the period 2014-2015 but the kink clearly tells that the exports significantly declined in the year 2015-16. But overall, an increasing trend for the exports can be seen.



Graph 7.2: Total Imports of Goods and Services

The above graph shows the Imports of Goods and Services for the period ranging from 2003-04 to 2015-16. The line-trend graph shows the increasing trend for the Imports till the year 2014-15 but, in 2015-16, a fall in the Imports of Goods and Services was seen which may be due to the Foreign Trade Policy 2015-20.



Graph 7.3: Trade Balance of India

The above graph shows the Trade Balance of India for the period ranging from 2003-04 to 2015-16. The line trend graph shows that there is a change in the trend of International Trade before and after the 2008 financial crisis. The kink at 2009 and at 2010 is all because of the crisis which happened. The crisis had the three major impacts on the Indian Economy i.e. the quantum of liquidity available during the first half of 2008-09 was about a third lower than during the first half, with slackening external demand, export growth was expected to be slow and Foreign institutional

Investors had withdrawn from Indian Stock markets leading to a sharp falls in key indices. So thereafter, India recovered and made efforts to get the Trade Balance figure improved.

5.1 POLICY IMPLICATIONS:

The Highlights of the India's Foreign Trade Policy 2004-2009

The new United Progressive Alliance (UPA) Government at the Centre changed the name of EXIM policy and called it Foreign Trade Policy (FTP). Consequently, on August 31, 2004, the Commerce and Industry Minister, Mr. Kamal Nath, announced the five year (2004-09) FTP. The policy took and integrated view of the overall development of India's Foreign Trade. The policy aimed at doubling the India's percentage share of global merchandise trade to 1.5 percent by 2009 from 0.7 percent in 2003, besides serving as an effective tool to generate employment, especially in semi-urban and rural areas. Exporters of all goods and services, including those from Domestic Tariff Area (DTA), were exempted from service tax. Also exporters with minimum turnover of ₹ 5crore and a sound track record were exempted from furnishing bank guarantees in any of the export schemes, so as to reduce their high transaction cost and tax burden. The key strategies undertaken included creating an atmosphere of trust and transparency, simplifying procedure and bringing down the transaction costs, adopting the fundamental principle that duties and levies should not be exported, identifying and nurturing different special focus areas to facilitate development of India as a global hub for manufacturing, trading and services.

Several special focus initiatives were taken-

1. Sectors with significant export prospects coupled with potential for employment generation in semi-urban and rural areas have been identified as thrust sectors and specific sectoral strategies have been prepared.
2. Special focus initiatives have been prepared for Agriculture, Handicrafts, Handlooms, Gems and Jewellery and Leather and Footwear sectors.
3. The threshold limit of designated Towns of Export Excellence is reduced from ₹1000crore to ₹250crore in these thrust sectors.

Also, the export promotion schemes included-

- Target Plus – Exporters who have achieved a quantum growth in exports would be entitled to duty free credit based on incremental exports substantially higher than the genera; actual export target fixed.

- Vishesh Krishi Upai Yojana- It aimed to boost exports of fruits, vegetables, flowers, minor forest produce and their value added products.
- Additional flexibility for fulfillment of export obligation under Export Promotion Capital Goods Scheme (EPCG), scheme in order to reduce difficulties of exporters of goods and services, technological upgradation, the requirement of installation certificate from Central Excise has been done away with.
- Import of fuel under Duty Free Replenishment Certificate (DFRC) entitlements were allowed to be transferred to marketing agencies authorized by the Ministry of Petroleum and Natural Gas.
- The Duty Entitlement Pass Book in short DEPB scheme would be continued until replaced by a new scheme to be drawn up in consultation with exporters.

A new rationalized scheme of categorization of status holders as Star Export Houses has been introduced. They shall be eligible for fast-track clearance procedures, exemption from furnishing of Bank Guarantee, eligibility for consideration, etc. Moreover, Export Oriented Units (EOUs), were exempted from Service Tax in proportion to their exported goods and services, retain 100% of export earnings, income tax benefits on plants and machinery shall be extended to Domestic Tariff Area units which convert to EOUs. A new scheme to establish Free Trade and Warehousing Zone (FTWZs) was introduced to create trade-related infrastructure to facilitate the import and export of goods and services with freedom to carry out trade transactions in free currency. This aimed at making India into a global trading-hub. Import of second-hand capital goods was permitted without any age restrictions. An exclusive Services Export Promotion Council was set up in order to map opportunities for key services in key matters and develop strategic market access programs, financial assistance would be provided to deserving exporters for meeting the costs of legal expenses connected with trade related matters.

OBSERVATIONS ON FOREIGN TRADE POLICY 2004-09

- The foreign trade policy announced by the Government in 2004 delivered on its promise.
- Agriculture and industry has shown remarkable resilience and dynamism in contributing to a healthy growth in exports.
- In the last five years our exports witnessed robust growth to reach a level of 23.73%of India's GDP in 2008-09 from 16.61% of GDP 2004-05.
- Our share of global merchandise trade was 0.83% in 2003; it rose to 1.45% in 2008 as per WTO estimates.
- Our share of global commercial services export was 1.4% in 2003; it rose to 2.8% in 2008.

- With the increase in export, imports also reflected the same trend in the same period.
- It increased from 18.27% of GDP in 2004-05 to 2008-09% of GDP in 2008-09.
- Total consumption of the economy increased from 55.99% in 2004-05 to 59.99% in 2008-09 and the total investment of the economy went down by 5.93% of GDP.
- On the employment front, studies have suggested that nearly 14 million jobs were created directly or indirectly as a result of augmented exports in the last five years.

The Highlights of the India's Foreign Trade Policy 2009-2014

The UPA Government assumed office at a challenging time when the entire world was facing an unprecedented economic slow-down. The year 2009 was witnessing one of the most severe global recessions in the post-war period. Countries across the world were affected in varying degrees and all major economic indicators of industrial production, trade, capital flows, unemployment, per capita investment and consumption had taken a hit. The WTO estimated project a grim forecast that global trade was likely to decline by 9% in volume terms and the IMF estimated project a decline of over 11%. Though India had not been affected to the same extent as other economies of the world, yet India's exports suffered a decline in the last 10 months due to a contraction in demand in the traditional markets of India's exports.

The policy for 2009-14 was to arrest and reverse the declining trend of exports and to provide additional support especially to those sectors which were hit badly by recession in the developed world.

- Short term policy objective of achieving an annual export growth of 15% with an annual export target of US$ 200 billion by March 2011 was set up. It was targeted that in the remaining three years of this Foreign Trade Policy i.e. upto 2014, the country should be able to come back on the high export growth path of around 25% per annum. By 2014, it was expected to double India's exports of goods and services.
- The long term policy objective for the Government was to double India's share in global trade by 2020.
    - In order to meet these objectives, the Government followed a mix of policy measures including fiscal incentives, institutional changes, procedural rationalization, enhanced market access across the world and diversification of export markets.

- Improvement in infrastructure related to exports; bringing down transaction costs, and providing full refund of all indirect taxes and levies.
- Endeavour was made to see that the Goods and Services Tax rebated all indirect taxes and levies on exports.
- A Special thrust was provided to employment intensive sectors which have witnessed job losses in the wake of this recession, especially in the fields of textile, leather, handicrafts, etc.
- Continuation of DEPB Scheme upto December 2010 and income tax benefits under Section 10(A) for IT industry and under Section 10(B) for 100% export oriented units for one additional year till 31st March 2011.
- Enhanced insurance coverage and exposure for exports through ECGC Schemes were ensured till 31st March 2010.
- Also, continuation of the interest subvention scheme for this purpose was decided.
- Stipulation of a minimum 15% value addition on imported inputs under advance authorization scheme was encouraged.

Furthermore, It was important to take an initiative to diversify India's export markets and offset the inherent disadvantage for the exporters in emerging markets of Africa, Latin America, Oceania and CIS countries such as credit risks, higher trade costs, etc, through appropriate policy instruments. Rationalization of incentive schemes including the enhancement of incentive rates which were based on the perceived long term competitive advantage of India in a particular product group and market was decided to diversify products and markets. New emerging markets were given a special focus to enable competitive exports. Additional resources were made available under the Market Development Assistance Scheme and Market Access Initiative Scheme. Incentive schemes were being rationalized to identify leading products which would catalyze the next phase of export growth. A Comprehensive Economic Partnership Agreement with South Korea which gave enhanced market access to Indian exports was signed. A Trade in Goods Agreement with ASEAN which came in force from January 01, 2010 was signed. The Mercosur Preferential Trade Agreement was also concluded. The Government would seek to promote Brand India through six or more 'Made in India' shows to be organized across the world every year. An important element of the Foreign Trade Policy was to help exporters for technological upgradation by promoting imports of capital goods for certain sectors under EPCG at zero percent duty. Under the present Foreign Trade Policy, Government recognized exporters based on their export performance. They were permitted to import capital goods duty free of specified product groups. 'Towns of Export

Excellence' and units located therein were to be granted additional focused support and incentives. The policy was committed to support the growth of project exports. A high level coordination committee was being established in the Department of Commerce to facilitate the export of manufactured goods / project exports creating synergies in the line of credit extended through EXIM Bank for new and emerging markets. Production and export of 'green products' were encouraged through measures such as phased manufacturing program for green vehicles, zero duty EPCG scheme and incentives for exports. To enable support to Indian industry and exporters, especially the MSMEs, in availing their rights through trade remedy instruments under the WTO framework, a Directorate of Trade Remedy Measures was proposed to set up. In order to reduce the transaction cost and institutional bottlenecks, the e-trade project was to be implemented in a time bound manner to bring all stake holders on a common platform.

OBSERVATIONS ON FOREIGN TRADE POLICY 2009-14

- The foreign trade policy announced by the Government in 2014 delivered on its promise.
- Agriculture, forestry and fishing, mining and quarrying showed an increase of 2.4% from 2009 to 2014-15 as per the economic survey 2014-15.
- It decreases from 27.84% of GDP in 2008-09 to 26.86% of GDP in 2013-14.
- Total consumption of the economy decreased from 59.39% in 2008-09 to 56.10% in 2013-14.
- Total investment of the economy went down by 8.42% of GDP.

The Highlights of the India's Foreign Trade Policy 2015-2020

The Foreign Trade Policy 2015-20 was unveiled by Ministry of Commerce and Industry Mrs. Nirmala Sitharaman, at Vigyan Bhawan. The new five year Foreign Trade Policy, 2015-20 provides a framework for increasing exports of goods and services as well as generation of employment and increasing value addition in the country, in keeping with the "Make in India" vision of Prime Minister. The focus of the new policy is to support both the manufacturing and services sectors, with a special emphasis on improving the 'ease of doing business'.

Main objectives of the policy are-

- To facilitate sustained growth in exports of the country so as to achieve larger percent share in the global merchandise trade.

- To provide domestic consumers with good quality goods and services at internationally competitive prices as well as creating a level playing field for the domestic producers.
- To stimulate sustained economic growth by providing access to essential raw materials, intermediates, components, consumables and capital goods required for augmenting production and providing services.
- To enhance the technological strength and efficiency of Indian agriculture, industry and services, thereby improving their competitiveness to meet the requirements of the global markets.
- To generate new employment opportunities and to encourage the attainment of internationally accepted standards of quality.

The initiatives taken in the Foreign Trade Policy 2015-20 are -

- "Merchandise Exports from India Scheme (MEIS)" for export of specified goods to specified markets and "Services Exports from India Scheme (SEIS)" for increasing exports of notified services, in place of a plethora of schemes earlier, with different conditions for eligibility and usage.
- Measures have been adopted to nudge procurement of capital goods from indigenous manufacturers under the EPCG scheme by reducing specific export obligation to 75% of the normal export obligation.
- Measures have been taken to give a boost to exports of defense and hi-tech items.
- At the same time e-Commerce exports of handloom products, books/periodicals, leather footwear, toys and customized fashion garments through courier or foreign post office would also be able to get benefit of MEIS (for values upto 25,000 INR).
- 'Niryat Bandhu Scheme' has been galvanized and repositioned to achieve the objectives of 'Skill India'.
- Outreach activities will be organized in a structured way at these clusters with the help of EPCs and other willing "Industry Partners" and "Knowledge Partners".

Trade facilitation and enhancing the ease of doing business are the other major focus areas in this new FTP. One of the major objective of new Foreign Trade Policy 2015-20 is to move towards paperless working in 24x7 environment. Recently, the government has reduced the number of mandatory documents required for exports and imports to three, which is comparable with international benchmarks. Attention has also been paid to simplify various 'Aayat Niryat' Forms, bringing in clarity in different provisions, removing ambiguities and enhancing electronic governance. Manufacturers, who are also status holders, will now be enabled to self-certify their manufactured goods in phases, as originating from India with a view to qualifying for preferential treatment under various forms of bilateral and regional trade agreements. A number of steps have been taken for encouraging manufacturing and exports under 100% EOU/EHTP/STPI/BTP Schemes. The steps include a fast track clearance facility for these units, permitting them to share infrastructure facilities, permitting inter unit transfer of goods and services, permitting them to set up warehouses near the port of export and to use duty free equipment for training purposes.

Discussing about the Merchandise Trade and Services for the period 2014-2015, we get to know that-

(₹ in crores)

S.No.	Particulars	2014-15	2015-16	% Growth
1	Exports (including re-exports)	154718.6	138400.44	-10.55
2	Imports	215593.93	207380.63	-3.81
3	Trade Balance	-60875.33	-68980.19	13.31

Table 11.1: Exports and Imports (Goods) (Provisional – April)

- Exports during April, 2015 were valued at ₹138400.44 crores which was 10.55% lower than the level of ₹154718.60 crores during April, 2014.
- Imports during April, 2015 were valued at ₹207380.63 crores which was 3.81% lower than the level of imports valued at ₹215593.93 crores in April, 2014.
- The Trade Deficit for April 2015 was estimated at ₹68980.19 crores which was higher than the deficit of ₹60875.33 crores during April 2014.

(₹ in crores)

Particulars	Amount
Exports (Receipts)	87735.72
Imports (Payments)	49123.01
Trade Balance	38612.71

Table 11.2: Exports and Imports (Services) (Provisional – March 2014-15)

- Exports during March, 2015 were valued at ₹87735.72 Crores.
- Imports during March, 2015 were valued at ₹49123.01 Crores.
- The Trade Balance in Services (i.e. net export of Services) for March, 2015 was estimated at ₹38612.71 Crores.

Discussing about the Merchandise Trade and Services for the period 2015-2016, we get to know that-

(₹ in crores)

S.No.	Particulars	2014-15		2015-16		% Growth	
		March	April - March	March	April – March	March	April - March
1	Exports (including re-exports)	150082.8	1896348.4	152264.96	1708841.43	1.45	-9.89
2	Imports	221251.65	2737086.58	186250.88	2481367.22	-15.82	-9.34
3	Trade Balance	-71168.85	-840738.18	-33985.92	-772525.79	-52.24	-8.11

Table 12.1: Exports and Imports (Goods) (Provisional)

- Exports during March, 2016 were valued at ₹152264.96 crores which was 1.45% higher than the level of ₹150082.80 crores during March, 2015. Cumulative value of Exports for the period April-March 2015-16 which was ₹1708841.43 crores as against ₹1896348.40 crores registering a negative growth of 9.89% over the same period last year.
- The trend of falling Exports is in tandem with other major world economies. The growth in Exports have fallen for USA (10.81%), European Union (7.40%), China (11.37%) and Japan (12.85%) for January 2016 over the corresponding period previous year as per WTO statistics.
- Imports during March, 2016 were valued at ₹186250.88 crores which was 15.82% lower over the level of Imports valued at ₹221251.65 crores in March, 2015. Cumulative value of Imports for the period April-March 2015-16 was ₹2481367.22 crores as against ₹2737086.58 crores registering a negative growth of 9.34% over the same period last year.

(₹ in crores)

Particulars	Amount
Exports (Receipts)	84130.26
Imports (Payments)	49056.08
Trade Balance	35074.18

Table 12.2: Exports and Imports (Services) (Provisional – February 2015-16)

- Exports during February, 2016 were valued at ₹84130.26 crores. During February, 2016, on month-on-month basis, growth in services Export remained negative (with a growth of 1.94%) as compared to negative growth (10.44%) during January 2016.
- Imports during February, 2016 were valued at ₹49056.08 crores.
- The Trade Deficit (Merchandise) for April-March, 2015-16 was estimated at ₹772525.79 crores which was lower than the deficit of ₹840738.18 crores during April-March, 2014-15.
- The Trade Balance in Services (i.e. net export of Services) for February, 2016 was estimated at₹35074.18 crores.

Furthermore,

- India's growth at 7.6% in 2015-16 is fastest in five years.
- The farm sector also rebounded to the growth zone, as against a contraction in the previous year, although the rate of expansion was low at 1.2% in 2015-16.
- The growth on manufacturing and farm sectors during the fourth quarter accelerated to 9.3% and 2.3%, respectively.
- GDP of the mining and quarrying segment grew by 8.6% in the last quarter of 2015-16 whereas electricity, gas, water supply and other utility services recorded a growth rate to 9.3%.
- The construction sector grew at 4.5%, trade, hotels, transport and communication at 9.9%.
- The manufacturing sector accelerated to 9.3%, up from 5.5% in the previous fiscal year.
- Farm sector grew at 1.2% in 2015-16 as against contraction in the previous fiscal year.

Discussing about the Merchandise Trade and Services for the period 2016-2017, we get to know that-

(₹ in crores)

S.No.	Particulars	2015-16		2016-17		% Growth	
		January	April - January	January	April - January	January	April - January
1	Exports (including re-exports)	142568.31	1420572.68	150559.98	1484473.55	5.61	4.5
2	Imports	194134.02	2120158.57	217557.32	2065656.42	12.07	-2.57
3	Trade Balance	-51565.71	-699585.89	-66997.34	-581182.87	29.93	-16.92

Table 13.1: Exports and Imports (Goods) (Provisional)

- In consonance with the revival exhibited by Exports in the last four months, during January,2017 exports continue to show a positive growth of 5.61% valued at ₹150559.98 crores as compared to ₹142568.31 crores during January,2016. Cumulative value of Exports for the period April-January 2016-17 was ₹1484473.55 crores as against ₹1420572.68 crores registering a positive growth of 4.50% over the same period last year.
- The growth in Exports is positive for USA (2.63%), EU (5.47%) and Japan (13.43%) but China has exhibited negative growth of (-1.51%) for November 2016 over the corresponding period of previous year as per latest WTO statistics.
- Imports during January 2017 were valued at ₹217557.32 crores which was 12.07% higher over the level of Imports valued at ₹194134.02 crores in January, 2016. Cumulative value of

Imports for the period April-January 2016-17 was ₹2065656.42 crores as against ₹2120158.57 crores registering a negative growth of 2.57% over the same period last year.

- The Trade Deficit for April-January, 2016-17 was estimated at ₹581182.87 crores which was 19.82% lower than the deficit of ₹699585.89 crores during April-January, 2015-16.

Particulars	Amount (₹ in crores)
Exports (Receipts)	93729.71
Imports (Payments)	56316.59
Trade Balance	37413.12

Table 13.2: Exports and Imports (Services) (Provisional – December 2016-17)

- Exports during December 2016 were valued at ₹93729.71 Crore registering a positive growth of 3.49% in dollar terms as compared to positive growth of 1.72% during November 2016.
- Imports during December 2016 were valued at ₹56316.59 Crore registering a negative growth of 0.35% in dollar terms as compared to positive growth of 8.37% during November 2016.
- The Trade Balance in Services (i.e. net export of Services) for December, 2016 was estimated at ₹37413.12 crores.

Also for the period 2016-2017, we can see that-

- The growth rate of GDP at constant market prices for the year 2016-17 is placed at 7.1 per cent, as against 7.6 per cent in 2015-16. Government final consumption expenditure is the major driver of GDP growth in the current year.
- Fixed investment (gross fixed capital formation) to GDP ratio (at current prices) is estimated to be 26.6 per cent in 2016-17, vis-à-vis 29.3 per cent in 2015-16.
- For 2017-18, it is expected that the growth would return to normal as the new currency notes in required quantities come back into circulation and as follow-up actions to demonetisation are taken. On balance, there is a likelihood that Indian economy may recover back to 6 ¾ per cent to 7 ½ per cent in 2017-18.
- Robust inflows of foreign direct investment and net positive inflow of foreign portfolio investment were sufficient to finance CAD leading to an accretion in foreign exchange reserves in H1 of 2016-17.

- During 2016-17 so far, the rupee has performed better than most of the other emerging market economies.
- At end-September 2016, India's external debt stock stood at US$ 484.3 billion, recording a decline of US$ 0.8 billion over the level at end-March 2016.
- Most of the key external debt indicators showed an improvement in September 2016 vis-à-vis March 2016. The share of short-term debt in total external debt declined to 16.8 per cent at end-September 2016 and foreign exchange reserves provided a cover of 76.8 per cent to the total external debt stock.
- Agriculture sector is estimated to grow at 4.1 per cent in 2016-17 as opposed to 1.2 per cent in 2015-16.
- Growth rate of the industrial sector is estimated to moderate to 5.2 per cent in 2016-17 from 7.4 per cent in 2015-16.During April-November 2016-17, a modest growth of 0.4 per cent has been observed in the Index of Industrial Production (IIP).
- The eight core infrastructure supportive industries, viz. coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity registered a cumulative growth of 4.9 per cent during April-November 2016-17 as compared to 2.5 per cent during April-November 2015-16. The production of refinery products, fertilizers, steel, electricity and cement increased substantially, while the production of crude oil, natural gas fell during April-November 2016-17. Coal production attained lower growth during the same period.
- Service sector is estimated to grow at 8.9 per cent in 2016-17, almost the same as in 2015-16.
- Demonetisation has had short-term costs but holds the potential for long-term benefits. Follow-up actions to minimize the costs and maximize the benefits include: fast, demand-driven, remonetisation, further tax reforms, including bringing land and real estate into the GST, reducing tax rates and stamp duties; and acting to allay anxieties about over-zealous tax administration. These actions would allow growth to return to trend in 2017-18, possibly making it the fastest-growing major economy in the world, following a temporary dip in 2016-17.
- The Government enacted a package of measures to assist the clothing sector that by virtue of being export-oriented, labour-intensive could provide a boost to employment, especially female employment.
- The major short term macro-economic challenge is to re-establish private investment and exports as the major drivers of growth and reduce reliance on Government and private consumption.

- India seems to be a demographic sweet spot with its working age population projected to grow by a third over the next three decades providing it a potential the growth boost from the demographic divided which is likely to peak within next five years.

Seeing the above regression results, the following can be the way forward:-

- Foreign Trade has a significant Impact on the GDP of the country.
- The Government of India should mobilize resources in such a manner that our products are competitive in the international market.
- The Government should also subsidize Small Scale Industries which would help increase the Exports of the country.
- Initiatives like MAKE IN INDIA are a step ahead towards increasing the Export Market of the country as changes in customs and excise duty rates on certain inputs will reduce costs and improve competitiveness of domestic industry in sectors Like Information Technology Hardware, Capital Goods, Defence Production, Textiles, Mineral Fuels & Mineral Oils, Chemicals & Petrochemicals, Paper, Paperboard & Newsprint, Maintenance Repair and Overhauling [MRO] of Aircrafts and Ship Repair.
- Transform India to have a significant impact on economy and lives of people.
- Government to focus on –
    - Ensuring macro-economic stability and prudent fiscal management.
    - Boosting on domestic demand
    - Continuing with the pace of economic reforms and policy initiatives to change the lives of our people for the better.

Now critically analyzing the strategies taken by the government:-

- The government has launched various programmes for increasing agricultural production and productivity—these include Pradhan Mantri Krishi Sinchayee Yojana, Soil Health Cards, Fasal Bima Yojana, etc—for encouraging small entrepreneurs and innovators through easy bank finance (MUDRA Yojana, Start-Up India). Looking at the thrust areas of economic growth, it seems that the government is not only seeking to diversify sources of growth, but also to democratise growth by unlocking the potential of people from all sections of the society.
- Under its motto of “minimum government, maximum governance,” the government is increasing the use of digital technology to enable citizens avail of basic public services, as also create a conducive environment for businesses and entrepreneurs to thrive.

- The government’s strong push to building infrastructure projects—not only to new projects but also to kick-start the stalled projects of the previous governments—is well-meaning insofar as it addresses market failure in the provision of public goods.

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