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INDIA'S FOREIGN TRADE SINCE 1947-2015 IMPACT ON INDIAN ECONOMY GROWTH

Obaid-Ur-Rehman

M.COM, PGDIBO, INDIRA GHANDHI NATIONAL OPEN UNIVERSITY (IGNOU), NEW DELHI, (aligarh regional office), INDIA

Abstract: **Indian foreign trade has come a long way in value terms from the time of gaining independence in 1947. 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. The present paper focuses on the foreign trade of India since 1947 to 2015.**

Keywords*: Economic Growth and Growth Rate*, Exports, Imports, Trade Balance, Total Trade, Liberalization, Privatization.

1. INTRODUCTION

Foreign trade is recognised as the most significant determinant of economic development of a country, all over the world. For providing, regulating and creating necessary environment for its orderly growth, several fact have been put in place .The foreign trade of a country consists of inward and outward movement of goods and services, which result into outflow and inflow of foreign exchange. The foreign trade of India is governed by the foreign trade (Development &Regulation) Act, 1992 and the values and orders issued there under. Payments for import and export transactions are governed by Foreign trade Exchange Management, 1992 and the rules and order issued there under. Payments for import and export transactions are governed by foreign Exchange Management act, 1999.Custom Act, 1962 governs the physical movement of goods and services through various modes of transportations. To make India a quality producer and exporter of goods and services, apart from projecting such image , an important Act –Export(Quality control and inspection)Act ,1963 has been vogue .

Development pace of foreign trade is dependent on the Export-Import policy adopted by the country too.

Even the Exim policy 2002-2007 lays its stress to simplify procedures, sharply to further reduce transactions costs. Today's international; trade is not only highly competitive but also dynamic. Necessary responsive framework to make export compete globally is essential. In order to harness these gain from trade .the transaction cost in turn dependent on the frame work support , I involved need to be low for trading with in the country and for international trade. International trade is a vital part of development strategy and it can be an effective instrument of economic growth, employment generation and poverty alleviation. Market condition change, almost daily, requiring quick response and more importantly, anticipation of the future requirement, it is essential that the frame work as to remain in pace.

2. STRATEGY OF INDIA FOREIGN TRADE

India's Foreign Trade Policy was recently announced in the backdrop of reduced global trade growth forecast and lack of growth momentum in India's export growth. India's export stood at $310 billion for the financial year 2014-15 and missed the target by $30 billion. For the last three to four years, the merchandise export growth has been flat. Recently, the World Trade Organization has also revised its global trade growth forecast to 3.5 percent from its earlier forecast of 4 percent on account of continued slowdown in the global market.

Analysts and optimists are intrigued as to how the government will rise to the challenge and turn the tide of foreign trade. Realizing the goal of doubling export of goods and services to $900 billion by 2020 will require sustained growth in exports at double digit rates for the next few years, a feat that will be unprecedented, given India's track record of export performance.

The government is relying on strategic, systemic and structural changes to be able to realize the ambitious goal. It aims to bring missionary zeal in support of export growth by bringing all ministries, departments and state governments in sync, by easing export procedures and documentation, and by ensuring better competitiveness and branding of products and services exported from India.

There are three key elements in the government's export growth strategy. Firstly, the government intends to catalyse merchandise export by diversification of market and products, by participation in global value chain, by improving branding and competitiveness of India's exports, and by reducing transaction cost through online processing of authorizations thus improving ease of doing business. The government's approach and mainstreaming the trade policy with its economic vision are an integral part of the emerging trade export architecture.

Secondly, the government proposes to give a boost to services export by allowing fiscal incentives in the form of SEIS scrip, and ensuring that the agreement on trade in services becomes an integral part of all trade agreements that India proposes to sign or has signed in the recent past. The government expects to boost services export from $145 billion to $300 billion. Trade in services agreement under free trade agreements could contribute significantly in realizing this vision.

The third, and the most important, part of the strategy is to increase focus on utilization of trade agreement routes for accelerating export of goods and services. India has existing agreements on the trade of goods with Japan, Korea, Singapore and ASEAN countries, but the utilization of these agreements has been very low. As a first step, the government aims to increase awareness about the benefits and opportunities under these trade agreements through outreach programmes and operationalization of its Niryat Bandhu scheme.

3. OBJECTIVE OF INDIA FOREIGN TRADE

1. To Study the importance of foreign trade in the world of Indian market.
2. To examine the relationship between Indian foreign trade and economic development of India.
3. To link rules, procedures and incentives for exports and imports with other initiatives such as „Make in India‟, „Digital India‟ and „Skills India‟ to create an „Export Promotion Mission‟ for India.
4. To create an architecture for India's global trade engagement with a view to expanding its markets and better integrating with major regions, thereby increasing the demand for India's products and contributing to the government's flagship „Make in India‟ initiative;.

4. INDIAN FOREIGN TRADE OVERVIEW

Foreign trade in India began in the period of the latter half of the 19th century. The period 1900-1914 saw development in India's foreign trade. The augment in the production of crops as oilseeds, cotton, jute and tea was mainly due to a thriving export trade. In the First World War, India's foreign trade decelerated. After post-war period, India's exports increased because demand for raw materials was increased in all over world and there were elimination of war time restrictions. The imports also increased to satisfy the restricted demand. Records indicated that India's foreign trade was rigorously affected by the great depression of 1930s because of decrement in commodity prices, decline in consumer's purchasing power and unfair trade policies adopted by the colonial government. During the Second World War, India accomplished huge export surplus and accumulated substantial amount of real balances. There was a huge pressure of restricted demand in India during the Second World War. The import requirements were outsized and export surpluses were lesser at the end of the war. Before independence, India's foreign trade was associated with a colonial and agricultural economy. Exports consisted primarily of raw materials and plantation crops, while imports composed of light consumer merchandise and other manufactures. The structure of India's foreign trade reflected the organized utilization of the country by the foreign leaders. The raw materials were exported from India and finished products imported from the U.K. The production of final products was discouraged. For instance, cotton textiles, which were India's exports, accounted for the largest share of its imports during the British period. This resulted in the decline of Indian industries. Since last six decades, India's foreign trade has changed in terms of composition of commodities. The exports included array of conventional and non-traditional products while imports mostly consist of capital goods, petroleum products, raw materials, intermediates and chemicals to meet the ever increasing industrial demands. The export trade during 1950-1960 was noticeable by two main trends. First, among commodities which were directly based on agricultural production such as tea, cotton textiles, jute manufactures, hides and skins, spices and tobacco exports did not increase on the whole, and secondly, there was a significant boost in the exports of raw manufactures such as iron ore. In the period of 1950 to 1951, main products dominated the Indian export sector. These included cashew kernels, black pepper, tea, coal, mica, manganese ore, raw and tanned hides and skins, vegetable oils, raw cotton, and raw wool. These products comprised of 34 per cent of the total exports. In the period of 1950s there were balance of payments crunch. The export proceeds were not enough to fulfil the emerging import demand. The turn down in agriculture production and growing pace of development activity added pressure. The external factors such as the closure of Suez Canal created tension on the domestic financial system. The critical problem at that moment was that of foreign exchange scarcity. One of the most important phenomena in post war economic history has been the the enormous expansion of world trade . India trade grew poorly from 1950 to 1980 as compared with world. trade. India entered into planned development era in 1950's and at that time Import Substitution was a major element of India's trade and industrial policy. In 1950 India's share in the total world trade was1.78%which reducedto 0.6% in 1995. In 1993,India rank 33rd in top exporting countries and 32nd in top importing countries. Natural Resources of the country are not evenly divided amongst public and private sector business enterprises . During 2003-04 India's share in the global trade was 0.8%, in 2005 it was 1.0%. The PC Alexander Committee (1978) was the first committee to review and recommend on Import –Export Policies and Procedures. This committee recommended the simplification of the Import Licensing procedure and provided a framework involving a shift in the emphasis from "control to development". In 1980 Tandon Committee gave recommendations on export strategies in eightees.In the Export Import policy of 1978-79, for the first time in India's History decentralization of some licensing functions took place and the powers of regional licensing authorities was enhanced. Export Oriented Units were set up under the EOU scheme introduced in early 1981. The export and Import Bank of India (website) was set up in 1982 to take over the operations of international finance wing of the IDBI. Other major objectives were to provide financial assistance to exporters and importers. In the Trade Policy of 1985-88 some measures were taken based upon the recommendation of Abid Husain Committee 1984. This committee envisaged "Growth Led Exports, rather than Export Led Growth". The recommendation of this committee stressed upon the need for harmonizing the foreign trade policies with other domestic policies. This committee recommended announcement of foreign trade policies for longer terms. The export import pass book scheme was introduced in 1985 as per recommendation of Abid Hussain Committee. In 1985 Visvanathan pratap Singh Government developed a 3 year Exim policy. Tax Reform Committee chaired by Raja J Chelliah suggested minimizing the role of quantitative restrictions and reducing the tariff rates substantially. Export Processing Zones were set up to push up export In order to liberalize imports and boost exports, the Government of India for the first time introduced the Indian EXIM Policy on AprilI,1992. In the light of the reform policy objectives successive governments have been taking various trade reforms. Successive annual Union Budgets have also extended a number of tax benefits and exemptions to the exporters. These include reduction in the peak rate of customs duty to 15 per cent; significant reduction in duty rates for critical inputs for the Information Technology sector, which is an important export sector; grant of concessions for building infrastructure by way of 10-years tax holiday to the developers of SEZs; Facilities and tax benefits to exporters of goods and merchandise; reduction in the customs duty on specified equipment for ports and airports to 10 per cent to encourage the development of world class infrastructure facilities, etc. A number of tax benefits have also been announced for the three integral parts of the 'convergence revolution' the Information Technology sector, the Telecommunication sector, and the Entertainment industry. In order to bring stability and continuity, the Export Import Policy was made for the duration of 5 years. However, the Central government reserves the right in public interest to make any amendments to the trade Policy in exercise of the powers conferred by Section-5 of the Act. Such amendment shall be made by means of a Notification published in the Gazette of India. Prior to 2004, the Foreign Trade Policy was called EXIM Policy. The Foreign Trade Policy, 2015-2020 ('FTP') was finally announced by the Hon'ble Minister of Commerce and Industry, Smt. Nirmala Sitharaman on April 1, 2015. The FTP has been announced in the backdrop of several measures initiated by the Government of India such as 'Make in India', 'Digital India' and 'Skills India', among others.

The FTP, introduced with a view to double India's share in world trade by the year 2020, rationalizes the general provisions regarding imports and exports and promotional measures offered by the Commerce Ministry and also offer mechanism for resolving quality complaints and trade disputes..

5. COMPONENTS OF INDIA FOREIGN TRADE

In India, exports and imports are regulated by the Foreign Trade (Development and Regulation) Act, 1992, which replaced the Imports and Exports (Control) Act, 1947, and gave the Government of India enormous powers to control it. The salient features of the Act are as follows:-

1. It has empowered the Central Government to make provisions for development and regulation of foreign trade by facilitating imports into, and augmenting exports from India and for all matters connected therewith or incidental thereto.
2. The Central Government can prohibit, restrict and regulate exports and imports, in all or specified cases as well as subject them to exemptions.
3. It authorizes the Central Government to formulate and announce an Export and Import (EXIM) Policy and also amend the same from time to time, by notification in the Official Gazette.
4. It provides for the appointment of a Director General of Foreign Trade by the Central Government for the purpose of the Act. He shall advise Central Government in formulating export and import policy and implementing the policy.
5. Under the Act, every importer and exporter must obtain an 'Importer Exporter Code Number' (IEC) from Director General of Foreign Trade or from the officer so authorised.
6. The Director General or any other officer so authorised can suspend or cancel a licence issued for export or import of goods in accordance with the Act. But he does it after giving the licence holder a reasonable opportunity of being heard.
7. As per the provisions of the Act , the Government of India formulates and announces an Export and Import policy (EXIM policy) and amends it from time to time. EXIM policy refers to the policy measures adopted by a country with reference to its exports and imports. Such a policy become particularly important in a country like India, where the import and export of items plays a crucial role not just in balancing budgetary targets, but also in the over all economic development of the country.

The principle objectives of the EXIM POLICY 2015-2020 policy are:

1. To facilitate sustained growth in exports of the country so as to achieve larger percentage share in the global merchandise trade.
2. 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.
3. 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.
4. 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.
5. To generate new employment opportunities and to encourage the attainment of internationally accepted standards of quality.

Besides this Act, there are some other laws which control the export and import of goods. These include:

1. Tea Act, 1953
2. Coffee Act, 1942
3. The Rubber Act, 1947
4. The Marine Products Export Development Authority Act, 1972.
5. The Enemy Property Act, 1968
6. The Export (Quality Control and Inspection) Act, 1963
7. The Tobacco Board Act, 1975

At the central level, the Ministry of Commerce and Industry is the most important organ concerned with the promotion and regulation of the foreign trade in India. The Ministry has an elaborate organizational set up to look after the various aspects of trade. Within the Ministry, the Department of Commerce is responsible for formulating and implementing the foreign trade policy. The Department is also entrusted with responsibilities relating to multilateral and bilateral commercial relations, state trading, export promotion measures and development and regulation of certain export oriented industries and commodities. The matters relating to foreign trade are dealt with by the following divisions of the Department:-

1. Administrative and General Division
2. Economic Division
3. Foreign Trade Territorial Division
4. Export Industries Division.
5. Supply Division
6. Finance Division
7. Trade Policy Division
8. Export Products Division
9. Export Services Division

Directorate General of Foreign Trade (DGFT):

With its headquarters at New Delhi, is headed by the Director General. It functions as the executive arm of the Supply Division of the Department of Commerce for conclusion of Rate Contracts for common user items, procurement of stores, inspection of stores, shipment and clearance of imported stores/cargo. It has three Regional Offices located at Chennai, Mumbai and Kolkata.

Directorate General of Supplies and Disposal (DGS&D):

With its headquarters at New Delhi, is headed by the Director General. It functions as the executive arm of the Supply Division of the Department of Commerce for conclusion of Rate Contracts for common user items, procurement of stores, inspection of stores, shipment and clearance of imported stores/cargo. It has three Regional Offices located at Chennai, Mumbai and Kolkata.

Directorate General of Commercial Intelligence and Statistics (DGCI&S):

With its office located at Kolkata, is headed by the Director General. It is entrusted with the work of collecting, compiling and publishing/ disseminating trade statistics and various types of commercial information required by the policy makers, researchers, importers, exporters, traders as well as overseas buyers.

Office of Development Commissioner of Special Economic Zones:

The Special Economic Zones (SEZs) are geographically exclusive enclaves separated from domestic tariff areas. The main objective of SEZs is to provide certain common facilities and a duty free environment for exporters. Each Zone is headed by a Development Commissioner and is administered as per the SEZ scheme announced on 31st March, 2000

Office of the Custodian of Enemy Property (CEP):

is located in Mumbai with a Branch office at Kolkata. The office is functioning under the Enemy Property Act,1968. All immovable (like land, buildings, etc.) and movable properties (like securities, shares, debentures, bank balances, viz. fixed deposits and other amounts lying in the enemy nationals' bank accounts, Provident fund balances etc.) all over India belonging to or held by or managed on behalf of Pakistani nationals between the period 10.9.1965 and 26.9.1977 are vested in the Custodian of Enemy Property for India.

Pay and Accounts Office (Supply):

The payment and accounting functions of Supply Division, including those of DGS&D, are performed by the Chief Controller of Accounts (CCA) under the Departmentalized Accounting System. Payment to suppliers across the country is made through this organisation.

Pay and Accounts Office (Commerce & Textiles):

The Pay and Accounts Office, common to both the Department of Commerce and the Ministry of Textiles, is responsible for the payment of claims, accounting of transactions and other related matters through the four Departmental Pay & Accounts Offices in Delhi, two in Mumbai, two in Kolkata and one in Chennai.

6. INDIAN FOREIGN TRADE NEW ERA

IMF in its World Economic Outlook (WEO) released in April 2015 has projected economic growth rate for 2015 and 2016 to be at 3.5%and 3.8% respectively. The new Foreign Trade Policy will focus on ways to boost India's exports and reduce dependence on imports, a government official said on Monday. "India — being part of WTO — cannot only think in terms its export promotion without equally supporting import substitution. "Therefore, the focus of the new policy would be to vigorously promote both exports and imports with significantly substantial focus on exports," industry body PHDCCI said, quoting Additional Director General of Foreign Trade (DGFT) Sumeet Jerath. Mr. Jerath said the policy (FTP 2014—19), to be announced by the new government post general elections next month, will lay greater thrust on engaging with the rest of the world particularly in sectors such as pharma and engineering. He said old procedures and regulations governing exporters will be trimmed and pruned to suit the export requirements of the modern times so that the realistic targets are made achievable. India's overall exports fell short of the $325 billion target in 2013—14. They touched $312.3 billion. Mr. Jerath said: "It would be the attempt of the policy makers to take India 's share in global trade to over 5 per cent from current level of 2 per cent in the next five year period. "He also informed the industry chamber's members that the DGFT's second committee report on reducing transaction cost is ready. He said, "...(it) suggests a way forward as to how the new government should tackle the issues relating to higher transaction cost to enable exporters achieve the desired level of exports to both developed and developing economies. "On the pharma sector, he assured the industry that new government will make sure that the domestic industry gets a fair deal in other countries. "The focus of the foreign trade policy is to support services and exports along with improving the ease of doing business. The new trade policy will boost exports and create jobs while supporting Make in India and Digital India," said commerce and industry minister Nirmala Sitharaman while announcing the FTP on Wednesday. "It will promote defence, pharma, environment-friendly products and value-added exports." Industry welcomed the policy that has been delayed by a year. "The new policy recognizes the global challenges faced by the export sector and also identifies the potential sectors which could emerge as winners in the next five years," said SC Ralhan, president of the Federation of Indian Export Organisations (FIEO). He described the policy as "path breaking". The Confederation of Indian Industry said in a release that, "The much-awaited Foreign Trade Policy 2015-20 seems to be a visionary policy which is in sync with government's campaigns like Make in India, Digital India and Skills India, which indicates that India is geared up to realize the aim of improving the ease of doing business." India's exports contracted 15% in February, the third successive month of decline, because of a global slowdown and the appreciation of the rupee against a basket of currencies. Merchandise exports account for about one-fifth of the country's $2 trillion economy. Several promotional schemes such as focus product and focus market schemes for goods have been consolidated into a single Merchandise Export from India Scheme (MEIS). Under the scheme, incentives will be given for export of specific goods to specific markets. The Services Export from India Scheme (SEIS) will replace the Serve from India Scheme (SFIS), giving a push to sectors such as medical tourism, accountancy and architecture.

7. CONCLUSION

With the Liberalization, Privatization and Globalization of the Indian economy and following liberal foreign trade, there had been changes in the business environment. With the developmentof science and technology there is a change in the nature of the Indian economy. There had been increase in the trade volume in the India's international trade, and the exports from India also have increased.

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