

INDIAN FOREIGN TRADE POLICY TOWARDS IMPORTS AND EXPORTS

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Abstract

The growth performance of exports has been an outcome of a conscious and concerted effort on the part of the Government to bring down transaction costs and facilitate trade. The vision and the roadmap provided by the Foreign Trade Policy (2004-09) for a five year period The export target during 2004-05 at around US \$ 75 billion was sought to be doubled to US \$ 150 billion by the terminal year of the Foreign Trade Policy, i.e. 2008-09. For the first time in the history of planning doubling of exports in less than five years is being seen as an achievable target. The Government made a conscious and concerted effort to reduce trade barriers, bring down transaction costs and facilitate trade. For the first time in the history of planning doubling of export activity within five years was set as a concrete target of the Foreign Trade Policy of the Government. During the first nine months of the current financial year (April - December 2006-07) exports stood at US \$ 89 billion while imports were valued at US \$ 131 billion. Trade deficit was estimated at US \$ 42 billion.

Keywords: Foreign Trade Policy, Imports, Exports.

INTRODUCTION

The rising middle income groups of consumers in India and their spending levels on consumption related items have resulted a faster rising imports demand of the country. Major imports of India include cereals, edible oils, and petroleum products.

TRENDS IN INDIA'S IMPORTS

The trends in India's imports for the year 2006-07 (April-October), compared with the corresponding period of 2005-06 are shown in Table-III. Oil Imports recorded a higher growth than non-oil imports whereas there was a decline in import of Pearls, Precious and Semi-Precious Stones.

IMPORTS IN REGION WISE

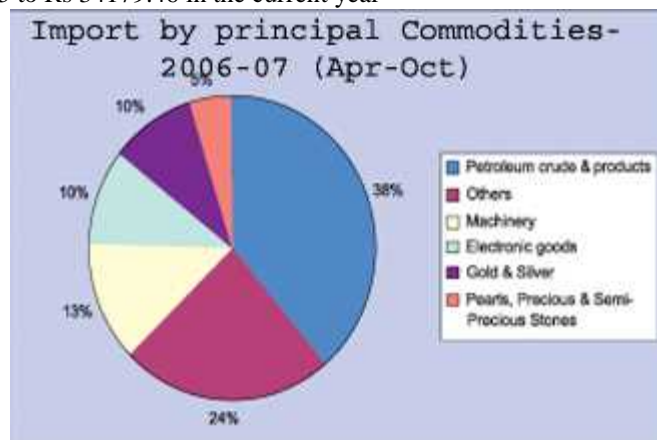
According to disaggregated data of imports by Principal Commodities available for the period April - October 2006-07, the import growth was mainly driven by Petroleum Crude. Imports of items under bulk category comprising inter-alia Fertilizers, Wheat, News Print, Non-Ferrous Metals, Metalliferous Ores and Products recorded a substantial increase. The growth of import of Machinery and Project Goods was also significant.

FERTILIZERS

During April - October, 2006-07, import of Fertilizers increased to Rs.8698.47 crore from Rs. 5,321.24 crore recording a growth of 63.47 per cent.

PETROLEUM CRUDE AND PRODUCTS

The import of Petroleum Crude & Products stood at Rs. 161,049.52 crore during April- October, 2006-07 against Rs. 106,874.99 crore during the same period of the previous year showing a growth of 50.69 per cent. Ores and Products recorded a substantial increase. The growth of import of Machinery and Project Goods was also significant. In the year 2007-08 the growth is 15.88% and that of in the year 2008-09 the declined growth is 2.3%. and in the year 2009-2010 the growth is 25.82% from Rs 35,874.05 to Rs 34179.46 in the current year



PEARLS, PRECIOUS AND SEMI-PRECIOUS STONES

Import of Pearls and Precious and Semi-precious Stones during April- October, 2006-07 decreased to Rs. 19,509.57 crore from Rs. 27,152.29 crore during the corresponding period of the previous year registering a negative growth of 28.15 per cent.

CAPITAL GOODS

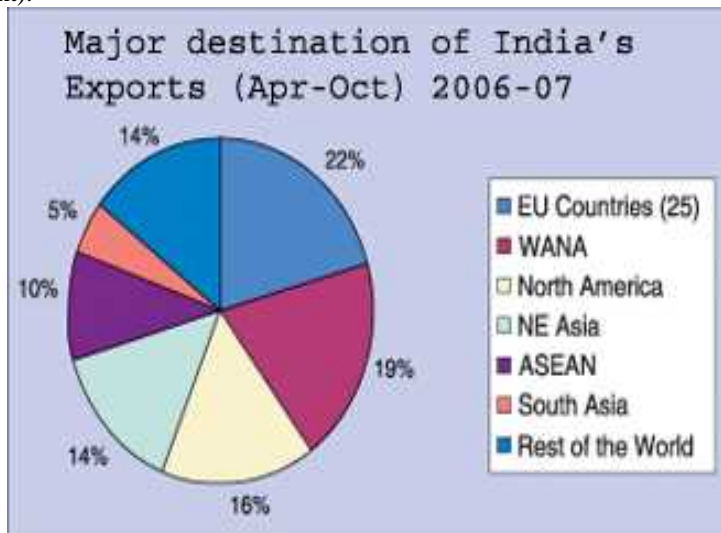
Import of capital goods, largely comprising Machinery, including Transport Equipment and Project Goods recorded a notable increase during April- October, 2006-07 over the same period of last year. Import of Machine Tools, Project Goods, Non-Electrical Machinery, Electrical Machinery and Transport Equipment registered a growth of 47.15 per cent, 127.20 per cent, 45.24 per cent, 43.89 per cent, and 56.01 per cent respectively.

CHEMICALS AND CHEMICAL MATERIALS

During April- October, 2006-07, import of Organic and Inorganic Chemicals increased to Rs. 20,840.13 crore from Rs. 18,051.71 crore during the same period of last year, registering a growth of 15.45 per cent. Import of Medicinal and Pharmaceutical Products also increased to Rs. 3,037.09 crore from Rs.2,471.30 crore during the corresponding period of last year registering a growth of 22.89 per cent.

DIRECTION OF INDIA'S FOREIGN TRADE

During the first 7 months of the current year, the share of Asia and ASEAN region comprising South Asian, East Asian, Mid-eastern and Gulf countries accounted for nearly 49.87 per cent of India's total exports. The share of Europe and America in India's export stood at 22.28 per cent and 19.83 per cent respectively of which EU (25) comprises 20.74 per cent. During the period, USA continued to remain the most important country of export destination (15.47 per cent) followed by United Arab Emirates (10.06 per cent), Singapore (5.45 per cent), China (5.66 per cent), Hong Kong (3.71 per cent), UK (4.46 per cent) and Germany (3.15 per cent).



Asia and ASEAN accounted for 61.56 per cent of India's total import during the period followed by Europe (19.91 per cent) and America (9.4 per cent). Among individual countries the share of China stood highest at (9.1 per cent) followed by USA (5.7 per cent), and Germany (3.99 per cent).

During the same period, Africa accounted for the highest growth in India's export at 73.26 per cent followed by Asia & ASEAN (35.66 per cent), Europe (21.94 per cent) and America (21.95 per cent). On the other hand, India's imports from the Asia and ASEAN region was 130.96 per cent higher than the imports in the corresponding period of the previous year.

IMPORT OF SENSITIVE ITEMS DURING 2006 - 07 (APRIL- DECEMBER)

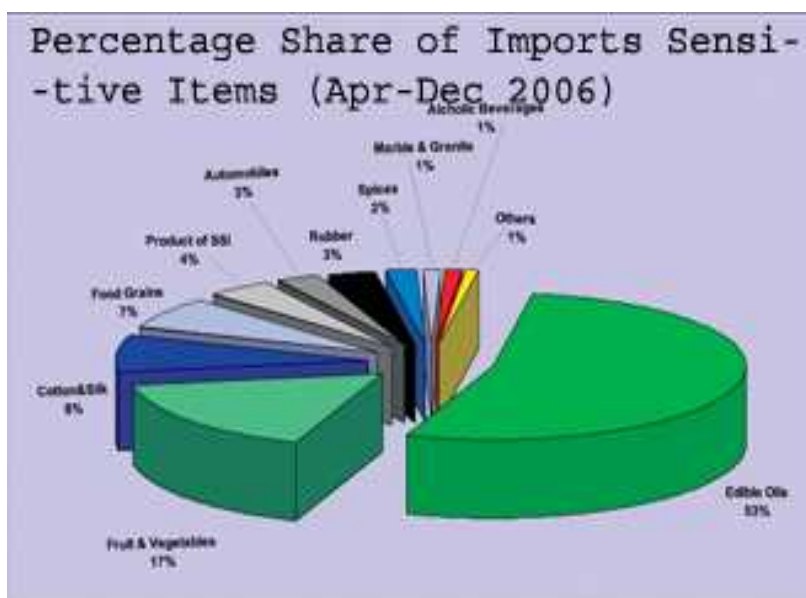
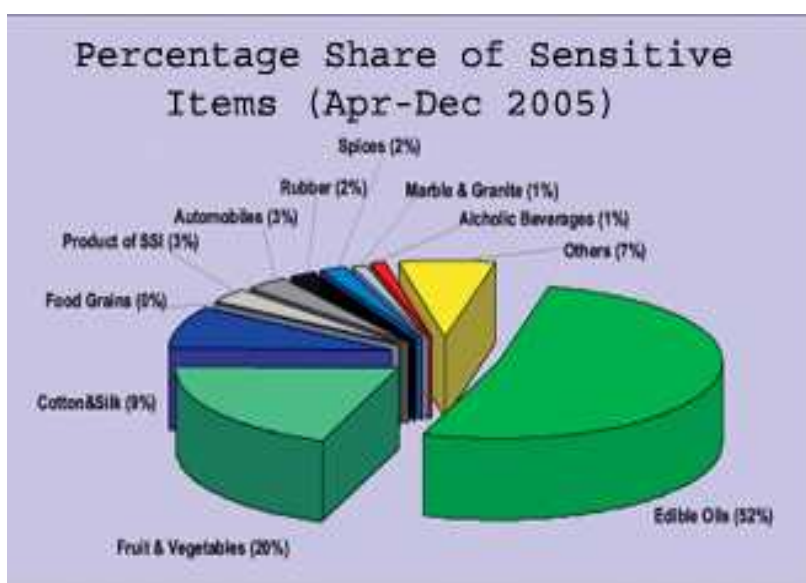
The total import of sensitive items for the period April-December 2006 has been Rs 14472 crore as compared to Rs 12959 crore during the corresponding period last year thereby showing an increase of 11.7 per cent. The gross import of all commodity during same period of current year was Rs 598287 crore as compared to Rs 464866 crore during the same period of last year. Thus imports of sensitive items constitute 2.8 per cent and 2.4 per cent of the gross imports during last year and current year respectively.

Imports of fruits & vegetables (including nuts), cotton and silk, spices and tea & coffee have shown a decline at broad group level during the period. Imports of items viz. edible oil, food grains, products of SSI, rubber, marble & Granite, Alcoholic beverages and milk & milk products have shown increase during the period under reference.

In the edible oil segment, the imports has increased from Rs 6753 crores last year to Rs 7558 crores for the corresponding period of this year. A significant feature of edible oil import is that import of crude oil has gone up by 20.5 per cent and that of refined oil have gone down by 44.9 per cent. The growth in edible oil import is mainly due to significant increase in import of Crude Palm Oil and its fractions which has gone up by 44 per cent.

Imports of sensitive items from Indonesia, Argentina, Australia, United States of America, China People's Republic, Malaysia, Russia, Sri Lanka DSR, Thailand, Cote D' Ivory, Germany etc. have gone up while those from Brazil, Guinea Bissau, Egypt A RP, Japan, Benin etc. have shown a decrease.

A table showing imports of sensitive items during April-December 2006 Vs April-December 2005 depict the comparative percentage share of import of sensitive items during April-December 2005 and April-December 2006 respectively.



INDIA'S IMPOTRS OF PRINCIPAL COMMODITIES

It is observed that in the year 2006-07 the bulk imports are Rupees 380740.54 crores comparing with previous year 2005-06 is Rs 270075.83 crores with a growth rate of 40.98 % ,pearls ,precious & semi precious stones is Rs 33880.67 crores compared with the previous year Rs 40441.28 crores with a growth declined of 16.22% with the previous year. Imports of machinery are Rs 120952.44 crores compared with last year Rs 94872.68 crores with a growth of 27.49 %, of project goods the imports are Rs 8126.46 crores comparing with Rs 3908.05 crores in the previous year with a growth of 107.94% and the other imports such as medical ,pharmacy products , chemicals etc. are Rs 296806.21 crores comparing with the previous year Rs 251111.05 crores with a growth of 18.20 % .

In 2007-08 the bulk imports are Rupees 451341.89 crores comparing with previous year 2006-07 is Rs 380740.54 crores with a % growth of 18.54 % ,pearls ,precious & semi precious stones is Rs 32094.27 crores compared with the previous year Rs 33880.67 crores with a growth declined of 5.27 % with the previous year. Imports of machinery are Rs 181376.64 crores compared with last year Rs 120952.44 crores with a growth of 49.96 % , project goods the imports are Rs 5207.09 crores comparing with Rs 8126.46 crores in the previous year with a growth declined to 35.91 % and the other imports such as medical, pharmacy products, chemicals etc.

In 2008-09 the bulk imports are Rupees 620105.80 crores comparing with previous year 2007-08 is Rs 451341.89 crores with a growth of 37.39 % ,pearls ,precious & semi precious stones is Rs 66410.18 crores compared with the previous year Rs 32094.27 crores with a growth of 106.92 % comparing with the previous year. Imports of machinery are Rs 183033.69 crores compared with last year Rs 181376.64 crores with a growth of 0.91 % . In case of project goods the imports are Rs 14383.74 crores comparing with Rs 5207.09 crores in the previous year with a growth of 176.19 % and the other imports such as medical ,pharmacy products , chemicals etc. are Rs 456654.36 crores comparing with the previous year 342291.00 crores with a growth of 33.41 %

In the year 2009-2010 the bulk imports are Rupees 325992.63 crores comparing with previous year 2008-2009 is Rs 620105.80 crores with a growth of 23.53 % ,pearls ,precious & semi precious stones is Rs 57540.65 crores compared with the previous year Rs 66410.18 crores with a growth of 116.90 % comparing with the previous year. Imports of machinery are Rs 77738.27 crores compared with last year Rs 183033.69 crores with a growth decline of 6.57 % . In case of project goods the imports are Rs 13676.61 crores comparing with Rs 14383.74 crores in the previous year with a growth of 36.76 % and the other imports such as medical ,pharmacy products , chemicals etc. are Rs 268387.36 crores comparing with the previous year 456654.36 crores with a growth of 12.46 % over the previous year.

Table 1, Imports Region Wise (Rs. in Crores)

Region	Apr-Mar 2004	Apr-Mar 2005	Apr-Mar 2006	Apr-Mar 2007	Apr-Mar 2008	Apr-Mar 2009	April – Sept 2010
1) Europe	86,327.36	115,120.66	146,457.29	181,524.62	207,747.02	256,243.58	128943.20
2) Africa	12,567.92	15,071.89	17,892.62	51,519.29	60,156.41	85,481.63	53916.95
3) America	31,951.85	44,176.09	57,720.94	88,843.33	118,967.68	139,628.36	95889.54
4) Asia & ASEAN	126,991.02	181,353.20	228,331.37	497,326.51	602,973.57	823,086.37	456999.98
5) CIS & Baltics	5,796.63	8,807.52	13,072.22	17,480.73	15,211.83	30,161.76	14226.63
6) Unspecified Region	95,472.88	136,535.21	196,934.46	3,811.85	7,255.19	5,986.07	13361.79
Total	359,107.66	501,064.56	660,408.88	840,506.31	1,012,311.75	1,340,587.75	743338.09

Source: DGFT, 2004-09., 2010 data from ministry of commerce annual report

Table- 2, Imports of Principal Commodities (Rs in Crores)

Commodity	Apr-Mar 04-2005	Apr-Mar 05-2006	% Growth	%Share	Apr-Mar 06-2007	%Growth	%Share	Apr-Mar 07-2008	%Growth	%Share
A) Bulk Imports	190,393.36	270,075.83	41.85	40.90	380,740.54	40.98	45.30	451,341.89	18.54	44.59
B) Pearls, Precious & Semi-Precious Stones	42,337.70	40,441.28	-4.48	6.12	33,880.67	-16.22	4.03	32,094.27	-5.27	3.17
C) Machinery	58,234.16	94,872.68	62.92	14.37	120,952.44	27.49	14.39	181,376.64	49.96	17.92
D) Project Goods	2,678.94	3,908.05	45.88	0.59	8,126.46	107.94	0.97	5,207.90	-35.91	0.51
E) Others	207,420.39	251,111.05	21.06	38.02	296,806.21	18.20	35.31	342,291.00	15.32	33.81
Total	501,064.56	660,408.88	31.80	100.00	840,506.31	27.27	100.00	1,012,311.75	20.44	100.00

Source: Ministry of commerce & DGFT

EXPORTS BY PRINCIPAL COMMODITIES

According to disaggregated data of exports by Principal Commodities available for the period April - October 2006-07, the export growth was mainly driven by petroleum products, engineering goods and agriculture and allied products.

Table – 3, India's Foreign Trade

Year	Exports	Growth Rate	Imports	Growth Rate	Trade Deficit
2002-03	255137	22.1	297206	21.2	-42069
2003-04	293367	15.0	359108	20.8	-65741
2004-05	375340	27.9	501065	39.5	-125725
2005-06	456418	21.6	660408	31.8	-203990
2005-06(Apr-Dec)	324572.34		464866.02		-140293.68
2006-07(P)(Apr-Dec)	408394.10	25.83	598286.68	28.70	-189892.58

Note: 2005-06 Figures are revised figures as per the Monthly Statistics of the Foreign Trade of India for March, 2006

Year	Exports	Growth Rate	Imports	Growth Rate	Trade Deficit
2002-03	52719	20.3	61412	19.4	-8693
2003-04	63843	21.1	78150	27.3	-14307
2004-05	83536	30.8	111517	42.7	-27981
2005-06	103090	23.4	149166	33.8	-46076
2005-06(Apr-Dec)	73362.28		105118.68		-31756.40
2006-07(P)(Apr-Dec)	89489.08	21.98	131212.46	24.82	-41723.88



PLANTATION CROPS

Export of plantation crops grew by 26.74 per cent in rupee terms compared with the corresponding period of the previous year. Export of coffee registered a growth of 33.86 per cent from Rs. 893.06 crore to Rs. 1,195.44 crore and export of tea registered a growth of 20.53 per cent from Rs. 1,023.72 crore to Rs. 1233.91 crore.

AGRICULTURE AND ALLIED PRODUCTS

Agriculture and Allied Products include Cereals, Pulses, Tobacco, Spices, Nuts and Seeds, Oil Meals, Guargum Meals, Castor Oil, Shellac, Sugar & Molasses, Processed Food, Meat & Meat Products, etc. During April-October, 2006, exports of commodities under this group registered an average growth of 25.29 per cent with the value of exports rising from Rs. 16,547.74 crore in the previous year to Rs. 20,733.06 crore during the current year.

ORES AND MINERALS

Exports of Ores and Minerals were estimated at Rs. 15,415,05 crore during April-October, 2006 registering a growth of 13.20 per cent over the same period of the previous year. All sub groups viz. Processed Minerals, other Ores and Minerals, and Coal have recorded positive growth of 34.91 per cent, 47.76 per cent and 35.22 per cent respectively except Iron ore.

CONCLUSION

The growth performance of exports has been an outcome of a conscious and concerted effort on the part of the Government to bring down transaction costs and facilitate trade. The vision and the roadmap provided by the Foreign Trade Policy (2004-09) for a five year period The export target during 2004-05 at around US \$ 75 billion was sought to be doubled to US \$ 150 billion by the terminal year of the Foreign Trade Policy, i.e. 2008-09. For the first time in the history of planning doubling of exports in less than five years is being seen as an achievable target. The Government made a conscious and concerted effort to reduce trade barriers, bring down transaction costs and facilitate trade. For the first time in the history of planning doubling of export activity within five years was set as a concrete target of the Foreign Trade Policy of the Government. During the first nine months of the current financial year (April - December 2006-07) exports stood at US \$ 89 billion while imports were valued at US \$ 131 billion. Trade deficit was estimated at US \$ 42 billion.

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