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AN EFFECTIVE ANALYSIS ON STATUS OF INTERNATIONAL TRADE POLICIES IN INDIA

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ABSTRACT

The International Trade which includes export and import (EXIM) as key aspect is the backbone of any economy. The financial system of the country is majorly dependent on its perspective and adaptation of exports and imports from other countries so that the foreign currency can be magnetized to improve the overall economic scenario and related factors which includes the inflation rate, banking modules, generation of employment and many other to escalate the nation in assorted dimensions. From the research reports of year 2014, it is found that India is on 19th position in terms of principal exporters in the global market having exports equivalent to 3.5

trillion dollars. In India, foreign or international trade is being governed by the ministry of commerce and industry. In this research manuscript, the perspective of Indian economy is underlined with the key focus on the foreign trade policies. This research paper underscores the various facets of the policies and vision of India in diverse points and the future predictions.

Keywords – International Trade, Foreign Trade, EXIM Policies, Economy Growth

INTRODUCTION

The foreign or international trade refers to the exchange or transmission of goods, capital or specific services beyond the international territory with the prior authentication from the government authorities. The gross domestic product (GDP) of most of the countries is having key relationship with the international trade. If the historical scenarios are fetched, the international trade is not new and was being implemented even in thousands years back to improve and strengthen the relationship between the countries in terms of social, economical as well as political relations.

A product or service that is transmitted to the international market refers as an Export while the Import refers to buying the product or service from beyond the international border.

MODELS AND THEORIES OF INTERNATIONAL TRADE

- Adam Smith's model
- Ricardian model
- Heckscher–Ohlin model
- Gravity model
- Free-Trade Theory

- International production fragmentation trade theory
- Ricardo-Sraffa trade theory
- Neo-Ricardian trade theory

Table 1 – Evaluation of the Countries by the International Trade

Country	**Foreign Trade (Billion Dollars)**	**Year**
European Union	4,485.00	2013
China	4,201.00	2014
United States	3,944.00	2014
Germany	2,866.00	2014
Japan	1,522.40	2014
France	1,212.30	2014
United Kingdom	1,189.40	2014
South Korea	1,170.90	2014
Hong Kong	1,088.40	2014
Netherlands	1,041.60	2014
Italy	948.6	2014
Canada	947.2	2014
India	850.6	2014
Russia	844.2	2014
Singapore	824.6	2014
Mexico	813.5	2014

Switzerland	721.8	2014
UAE	676.4	2014
Belgium	663.6	2014
Spain	655.2	2014
Taiwan	595.5	2014

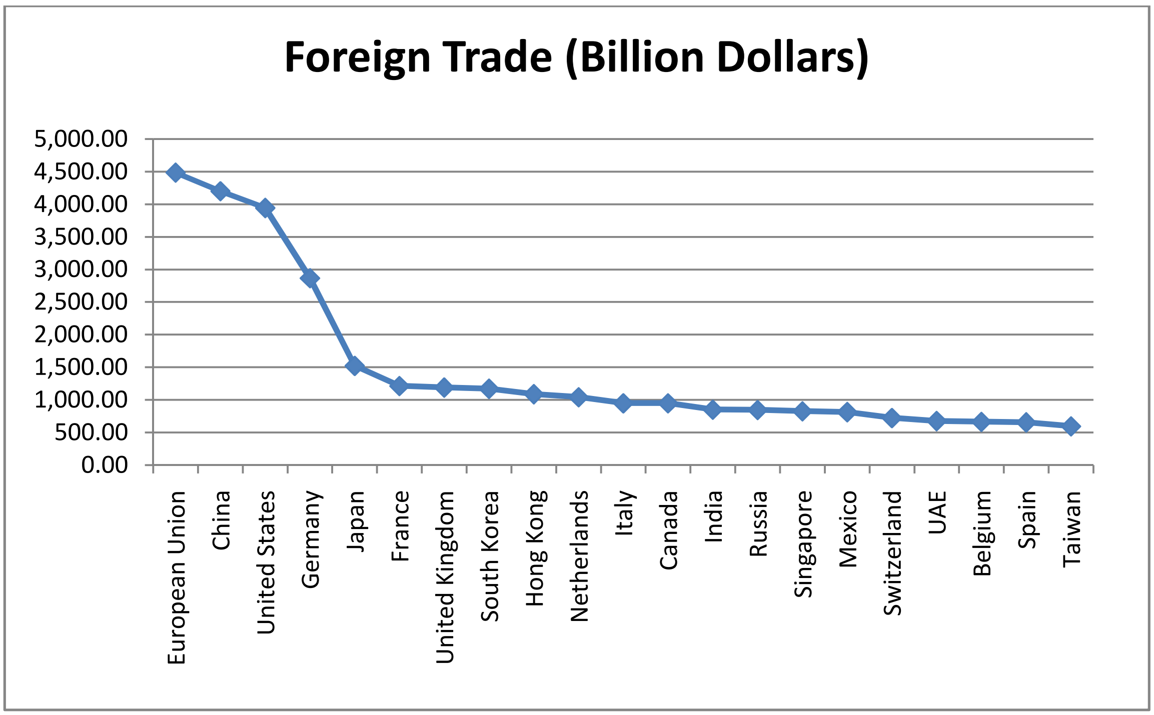

Figure 1 - Evaluation of the Countries by the International Trade

LITERATURE REVIEW

Topalova, P. et. al. (2011) [1] – This research paper highlights the exponential growth of Indian economy with the reform in the foreign trade policies. It is found from this paper that the changing foreign trade policies are having very positive impact on the overall economy of nation. Professional aggressive powers, coming about because of lower levies on definite merchandise, and also access to better inputs, because of lower data taxes, both seem to have

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expanded firm-level profitability, with info taxes having a bigger effect. The impact was most grounded in import-contending commercial enterprises and businesses not subject to unreasonable household regulation. While this examination work discover no proof of a differential effect as per state-level attributes, it is watched the complementarities between exchange liberalization and extra modern arrangement changes.

Keller, W. et. al. (2011) [2] - This paper concentrates on the exchange of China in the previous 150 years, beginning from the first opening of China after the Opium War. The primary motivation behind the paper is to recognize what is (and was) China's "ordinary" level of remote exchange, and how these levels changed under distinctive exchange administrations, from 1840 to the present. This work show new proof on China's remote exchange amid the arrangement port period (1842–1948), drawn from disaggregated exchange information gathered by the Chinese Maritime Customs Service, that yields vital discoveries for momentum research. To start with, despite the fact that the volume of outside exchange stayed constrained at first, there was an outstanding development in the differences of items, with numerous new merchandise being transported in into China. Second, the territorial dispersion of remote products through China was extraordinarily encouraged by the extensions of the port framework. Third, the significance of Hong Kong as a middle person in China's exchange has experienced long haul vacillations suggestive of learning impacts. China's late flood of liberalization has driven by the mid 1990s to an exchange level similar to the high of the 1920s. While quite a bit of China's late development in world exchange is in accordance with her salary development, there is most likely China's exchange openness today, similar by a few measures to Denmark's, is a staggering inversion in respect to the pre-1978 furthermore the pre-1840 period.

Mehta, A. et. al. (2012) [3] – This work analyze the impacts of exchange and administrations liberalization on pay imbalance in India. The paper finds that work reallocations and compensation shifts owing to liberalization represent at most 29% of the increment in imbalance somewhere around 1993 and 2004, and that the impacts of administrations changes are commonly bigger than those of exchange liberalization. Interestingly, 30–66% of the increment in pay imbalance is because of changes in industry wages and aptitude premiums that can't be experimentally connected to liberalization. These outcomes propose that if liberalization did, truth be told, contribute essentially to expanded disparity, the heft of its belongings don't wait in between industry pay and ability premiums however are subsumed by general harmony impacts.

Saboori, B. et. al. (2012) [4] - This study examines the dynamic relationship among carbon dioxide (CO_2) emissions, economic growth, energy consumption and foreign trade based on the environmental Kuznets curve (EKC) hypothesis in Indonesia for the period 1971–2007, using the Auto Regressive Distributed Lag (ARDL) methodology. The results do not support the EKC hypothesis, which assumes an inverted U-shaped relationship between income and environmental degradation. The long-run results indicate that foreign trade is the most significant variable in explaining CO_2 emissions in Indonesia followed by Energy consumption and economic growth. The stability of the variables in estimated model is also examined. The result suggests that the estimated model is stable over the study period.

Daumal, M. (2013) [5] - Regional inequalities are large in India and Brazil and represent a development challenge. This article aims to determine whether regional inequalities are linked to a country's trade openness. An annual indicator of regional inequalities is constructed for India for the period 1980–2004 and for Brazil from 1985–2004. Results from time series regressions show that Brazil's trade openness contributes to a reduction in regional inequalities. The opposite result is found for India. India's trade openness is an important factor aggravating income inequality among Indian states. In both countries, inflows of foreign direct investment are found to increase regional inequalities.

Jha, S. (2013) [6] - In the most recent decade India's exchange strategy has focussed on exchange liberalization through Regional Trade Agreements (RTAs). This article suggests the conversation starter whether RTAs advantage the dealer, a definitive client of such assentions. From an essential study of Indian confirming organizations the article discovers four fascinating actualities: (a) despite the fact that ISFTA is utilized for the most part by Indian exporters, use rate for ISFTA is as low as 11 for every penny; (b) SAPTA is favored more than SAFTA, in spite of more extensive scope of the recent; stricter Rules of Origin under SAFTA may be the reason; (c) Indian exporters send out a ton to Singapore yet not through the RTA, despite the fact that Singapore has given levy free passage to all Indian fares; low tax inclination edges, combined with expenses of demonstrating beginning, may be the purpose behind such low usage; (d) the entire array of RTAs has not been of much use to Indian exporters - the GSP is used substantially more (96 for every penny of issued CoO) by Indian exporters than the majority of India's RTAs set up together.

Davis, C. et. al. (2014) [7] - WTO rules and the pressures of globalization restrict states' capacity to manipulate trade policies, but the work argue that governments can link political goals with economic outcomes using less direct avenues of influence over firm behavior. Where governments intervene in markets, politicization of trade is likely to occur. In this paper, the work examines the important form of government control: state ownership of firms. Taking China and India as examples, this work makes use of bilateral trade data by firm ownership type, as well as measures of bilateral political relations based on diplomatic events and UN voting to estimate the effect of political relations on import and export flows. Our results support the hypothesis that imports controlled by state-owned enterprises (SOEs) exhibit stronger responsiveness to political relations than imports controlled by private enterprises. A more nuanced picture emerges for exports; while India's exports through SOEs are more responsive to political tensions than its flows through private entities, the opposite is true for China. This research holds broader implications for how one should think about the relationship between political and economic relations going forward, especially as a number of countries with partially state-controlled economies gain strength in the global economy.

Taneja, N. et. al. (2015) [8] - With the exchange standardization procedure in the middle of India and Pakistan gathering energy from November 2011, new open doors for upgrading respective exchange have opened up between the two nations. This study gauges the exchange potential in the middle of India and Pakistan and looks at how this potential can be figured it out. Utilizing the Trade Possibility Approach for all things exchanged, trailed by selecting just those things in which the nations have an uncovered relative point of interest to send out, the exchange potential in the middle of India and Pakistan is assessed to lie between US$10.9 billion and US$19.8 billion. From the US$10.9 billion exchange potential, India's fare potential records for US$7.9 billion and import potential for US$3 billion. With countless fitting in with the negative or touchy records, the study appraises the exchange potential represented by these things. A part savvy examination demonstrates that two-sided exchange will get a support if the material segment is changed in both nations, with Pakistan changing its vehicles area as well. In the administration segment, exchange potential outcomes have been recognized in data innovation (IT), Business Process Outsourcing (BPO), wellbeing, and stimulation administrations. The study finds this exchange potential stays hidden generally because of hindrances in transport and travel offices, a prohibitive visa administration, the continuation of huge casual exchange streams, and the vicinity of "saw" nontariff obstructions to exchange in the middle of India and Pakistan. As the foreign direct investment (FDI) administration between the two nations is changed in 2012, the study distinguishes segments that hold potential for speculations and are liable to develop the exchange linkages in the middle of India and Pakistan.

Baccini, L. et. al. (2015) [9] - The propagation of joint and regional deal agreements has perhaps been the main change to the international trading system since the conclusion of the Uruguay Round in the mid-1990s. This paper argues that venture discrimination is having a key role in this development. Preferential trading agreements lead to the investment discrimination because of the levy differentials on liaison products and as the outcome of provisions that can relax the investment rules for parties to the concurrence. Excluded countries are very much sensitive to costs that such investment prejudice imposes on domestic firms and react by signing a trade agreement that aims at leveling the playing field. This work test the argument using a spatial econometric model and a newly compiled data set that includes 166 countries and covers a period of eighteen years (1990-2007). The findings in this paper strongly prop up the argument that venture discrimination is a major threshold of the production of trade agreements.

PROBLEM FORMULATION AND RESEARCH OBJECTIVE

The International Trade Policies are decidedly effective in terms of promoting the new EXIM clients and ventures. Still, there is the need to analyze various factors which can affect the overall economy and EXIM status of the nation.

In this work, the analysis of the dataset of the decade 2004-2014 is accomplished with the statistical tools. The data that is taken for research and exploration is in the taxonomy of secondary dataset.

Well known and renowned portals of World Trade Organization are followed and fetched to have the datasets of the decade.

RESEARCH METHODOLOGY

The following hierarchy is implemented to carry out and achieve the research tasks -

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

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INTERNATIONAL TRADE POLICIES OF INDIA

The foreign or international trade policy of India relies solely on the Export Import simply known as the EXIM Policy of Govt. of India. This is being regulated and governed by the Act of Foreign Trade Development and Regulation Act, 1992.

The key governing body which is directly associated with the EXIM Policy is the DGFT (Directorate General of Foreign Trade). The contemporary or recent act of Foreign Trade is under implementation after replacement of the earlier law which was Import and Exports (Control) Act, 1947.

After independence, there were no specific or strict rules regarding the EXIM protocols.

In the new Foreign Trade Policy which is known as FTP 2015 - 2020, it is broadcasted that there will be the special incentives and promotions for the exporters in different streams. Govt. of Indian is promoting and attracting the domestic experts to work on 'Make in India' so that the Indian products can be sold in International Market and overall economy can be strengthened.

Govt. of India is predicting the exports of 900 billion dollars by year 2020 after implementation of the new foreign trade policy.

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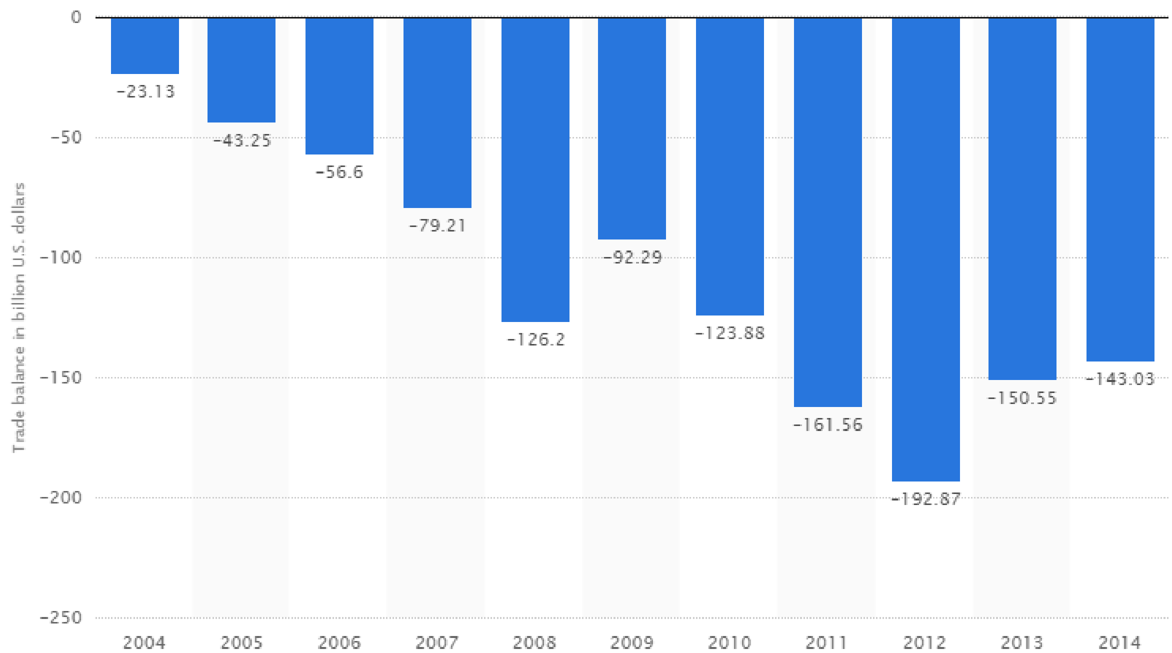

Figure 2 – Trade Balance of India (Billion Dollars) from 2004-2014
[Source - World Trade Organization]

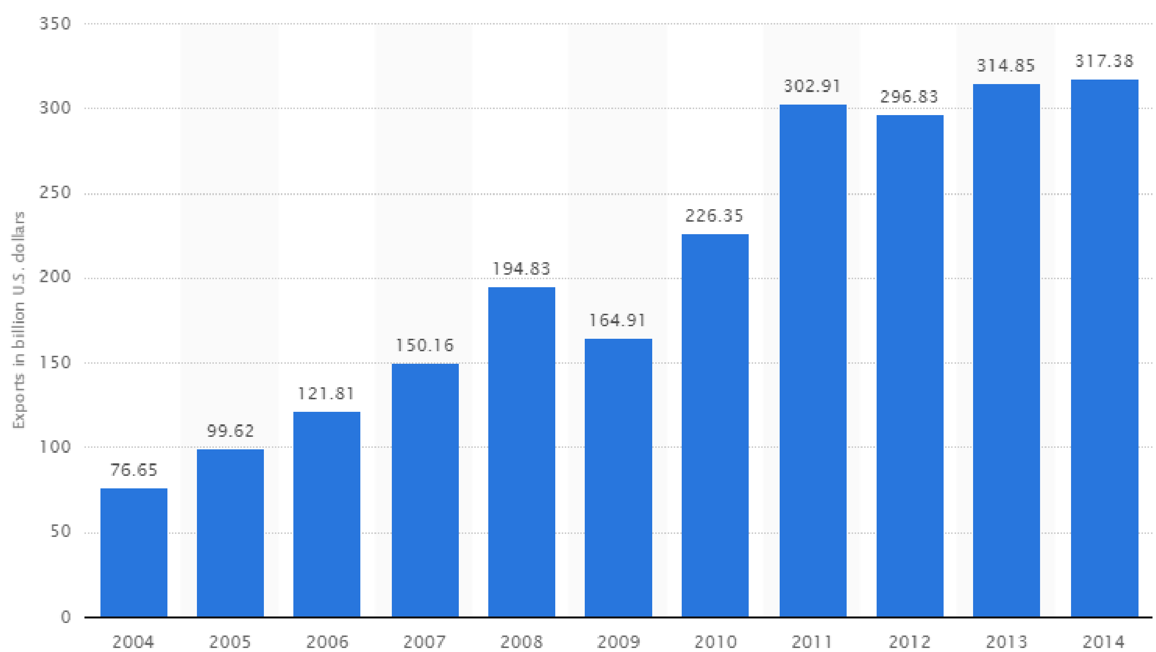

Figure 3 – Exports of Goods (Billion Dollars) from India 2004-2014
[Source - World Trade Organization]

CONCLUSION AND SCOPE OF FUTURE WORK

In this research work, the empirical review on the trade policies of India with respect to the global market is addressed. In this paper, it is depicted that Indian economy is one of the growing economy with the new foreign trade policy. In the scope of future work, the current clients of EXIM banks can be fetched from the live market and then the satisfaction level can be analyzed using statistical tools.

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