

A STUDY ON FOREIGN TRADE OF INDIA AND IT'S IMPACT ON THE ECONOMY

*Project report submitted for partial fulfilment of the requirement for the
degree of*

Master Of Business Administration

**(INTERNATIONAL TRANSPORTATION AND LOGISTICS
MANAGEMENT)**

By

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CHENNAI CAMPUS

May 2022

CERTIFICATE

**School of Maritime Management
Indian Maritime University, Chennai.**

This is to certify that the project report entitled "**A STUDY ON INDIAN FOREIGN TRADE AND ITS IMPACT ON THE ECONOMY**", submitted to the School of Maritime Management, Indian Maritime University, Chennai Campus., in partial fulfilment for the award of the degree of Master of Business Administration in Port & Shipping Management/ International Transportation and Logistics Management, is a record of work carried out entirely by **ASWIN U**, Reg. No. 2003305009.

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DECLARATION

I, **ASWIN U**, Registration No:2003305009, hereby declare that this project report titled "**A STUDY ON INDIAN FOREIGN TRADE AND ITS IMPACT ON THE ECONOMY**" is a bonafide record of work carried out by me under the supervision of **Dr. M. Sekar, Assistant Professor**, School of Maritime Management, Indian Maritime University, submitted in partial fulfilment of the requirements for the award of the degree of **MASTER OF BUSINESS ADMINISTRATION (International Transport and Logistics Management)**. The information submitted is true and original to the best of my knowledge.

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ACKNOWLEDGEMENT

It gives immense pleasure to express my thanks to all those who helped for the successful completion of this project. First and foremost, I thank the God Almighty for his gracious guidance throughout the project work.

I express my sincere thanks to Dr. B. Swaminathan, Head, School of Maritime Management, Indian Maritime University is a person who needs to be thanked at every stage of my project.

I wish to show my gratitude to Dr. M. Sekar, Assistant Professor, School of Maritime Management, Indian Maritime University - Chennai Campus, for his enormous encouragement, help, guidance, throughout the period of my project and led this work to its successful completion.

I wish to express my profound senses of gratitude to my faculty members of school of Maritime Management, Indian Maritime University, Chennai Campus for giving me an opportunity to take this project.

I would like to extend my heartfelt thanks to my beloved parents for their blessing, my classmates and friends for their help and wishes for the successful

Finally, I take the opportunity to show my gratitude to everyone who has contributed in this effort in numerous ways and their invaluable guidance and assistance through the entire phase of this project.

Aswin U

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CHAPTER -1

INTRODUCTION

1.1 Meaning

Foreign trade refers to the purchasing and selling of commodities and services between nations. It is the capital exchange. Import, export, and entrepot are all part of it. Uneven distribution of natural resources, climatic conditions, growth pace, technology, and professional management all contribute to the demand for international trade. Import trade refers to the movement of products into a nation, and export trade refers to the flow of things out of that country.

1.2 Definition

Foreign trade is the exchange of goods across national boundaries.

Prof. J.L. Hanson said, "An exchange of various specialized commodities and services rendered among the corresponding countries is known as foreign trade."

International Trade is the exchange of products and services between nations throughout the world. It is the most common type of global company structure, and it has shaped world international commerce, globalisation, privatisation, liberalisation, exports, imports, trade balances, and balance-of-payments positions throughout history. International commerce is a 21st-century practise of worldwide exchange of commodities and services to meet the requirements and demands of all nations and their people, particularly in the face of shortage of natural resources, labour, and other services. During the late 1800s and early 1900s, technical advances proliferated, spawning a slew of new sectors in manufacturing, construction, banking and insurance, healthcare, food processing, electronics, computers, civil aviation, petroleum, and related items.

E-commerce, Online service branding, Digital and online commerce are all multiple possibilities for entrepreneurs and small and medium-sized

businesses throughout the world. It is a creative and driving force for global economic growth (Guterres 2018), direct and indirect job creation, income production, and the highest return on investment. Globalization and international trade liberalisation are critical variables in nation-building and long-term development. As the scope of international commerce expands, tariff barriers will be lowered to aid the progress of developing and impoverished countries.

Exports and imports of products and services have increased in recent years as a result of globalisation, foreign direct investment (FDI), Special Economic Zones (SEZ), and multinational firms transforming the global environment, creating new demand and possibilities for India. Recently, central and state governments, national and international organisations, and export promotion agencies have been focusing on national priorities for export sectors that are most significant, as well as more participation in the development and implementation of export policies.

In the latter half of the nineteenth century, international trade provided a considerable quantity of foreign reserves, as well as a positive stable rise in exports following India's 1991 economic reforms. Exports and imports play an important role in global economic integration, improving real GDP and serving as a decisive element in country trade balance.

Balance of Payments - For a certain time period, generally a year, the balance of payments (BoP) tracks all economic transactions in commodities, services, and assets between the country and the rest of the globe. Simply said, it is the country's systematic accounting balance sheet, which contains both debit and credit transactions. All international monetary transactions are monitored by the BoP. The BoP accounts for all private and public sector dealings in order to calculate how much money is coming in and going out of the country.

1.3 Significance of the study

Following the establishment of several international bodies such as the World Trade Organization, the World Bank, and the International Monetary Fund, as well as the liberalisation of trade barriers for various nations, international trade has flourished across the world. India had a closed economy before to 1991. Since 1991, India has effectively implemented international trade liberalisation and crucial new economic reforms. To assist foreign trade, the Government of India, Ministry of Finance, DIPP, Ministry of Commerce and Trade, and Ministry of Corporate Affairs, DFGT meets with several Export Promotion Councils (EPCs) and numerous actors in international trade from time to time (Foreign Trade Policy 2015-20).

India's exports are increasing following economic reform, as evidenced by a good balance of payment, foreign exchange income, employment, and a continuously increasing percentage of world exports. India's straightforward trade policies result in increased overseas commerce and economic progress. Both parties participating in the outflow of products and services from one country to another profit from international commerce. This movement results in inward and outward foreign trade between two countries. It is a significant contributor to the favourable trade balance, particularly for developing countries.

International trade has multiplier effects that aid in the development of national economic models. This is seen as an economic and national growth engine. India's exports grew dramatically after liberalisation, generating large amounts of foreign exchange reserves and boosting the country's overall economic development. In light of these conditions, this research focuses on India's import, export, and trade balance.

1.4 Objectives of the Study

- To study about the Export Import of India and its impact on the economy
- To study about the export of oil and non-oil products.
- To study about the import of oil and non-oil products.
- To study about the Balance of Trade & its impact on the economy

1.5 Scope & Rationale of the Study

This study has been made to analyse the foreign trade and its impact on the economy. It also includes the data of the foreign trade of India.

1.6 Research Methodology

The present empirical research work looks at foreign trade and is based on yearly secondary data of 2010 to 2020 period. India's export (including re exports) and import data has been collected from the website of Directorate General of Foreign Trade, Ministry of Commerce and Industry, Ministry of Ports, Shipping and Waterways in USD \$ million and crore rupees, various ministries annual reports and websites publications, World Trade Organization (WTO), Reserve bank of India and other publication relating current study.

1.7 Limitation

The scope of this research was limited to a few specific issues of international commerce. There are restrictions to using secondary data because the data was collected from secondary sources. The primary sources of secondary data represent the state of international commerce at different moments in time. As a result, they fail to reflect the actual situation throughout the interim.

CHAPTER – 2
LITERATURE REVIEW

2.1 Review of Literature

- **Egbetunde, T., & Obamuyi, T. M. (2018). Foreign Trade and Economic Growth: A Study of Nigeria and India. Acta Universitatis Danubius. Œconomica, 14(7)** - The study looks at the influence of international trade on economic growth in Nigeria and India, as well as the direction of causation between the two nations' economies. In order to estimate the data, the researchers employed the Vector Autoregression Method (VAR) and the Granger causality test. The information came from the United Nations Conference on Trade and Development (UNCTAD). The VAR found that economic growth in Nigeria and India had a favourable and considerable influence on foreign trade. The findings also found that in Nigeria and India, the causation runs from international trade to economic development. The study suggests that overseas commerce acts as a lubricant to help countries improve their economic activity.
- **Bhagwati, J. N., & Srinivasan, T. N. (1975). Foreign trade regimes and economic development: India (No. bhag75-1). National Bureau of Economic Research** - The National Bureau of Economic Research supported a research project on Exchange Control, Liberalization, and Economic Development, which was later renamed Foreign Trade Regimes and Economic Development. All participants in the project shared the belief that the phenomena of exchange control and liberalisation in developing countries require careful and detailed analysis within a sound theoretical framework, and that the effects of individual policies and restrictions cannot be assessed without taking into account both the nature of their administration and the economic environment in which they are implemented, as determined by domestic economic policy and structure.
- **Dr. Pramod R. Botre (2018)**- A researcher analysed international trade data from 2005-06 to 2015-16 and divided it into two categories:

oil export and import, and non-oil export and import with trade balance. It is concluded that changes in the business environment such as liberalisation, privatisation, and globalisation are critical for enhancing foreign trade relations with other nations.

- **Leo, M. & Zestos, G. K. (2004)** - The study's empirical findings confirmed the existence of strong evidence of Granger causality from the foreign sector to GDP for all countries, as well as strong evidence of a bidirectional cause and effect relationship from GDP to exports and imports for all countries except the Netherlands, which shows weaker evidence of the relationship's existence.
- **Zestos, G.K. & Tao, X. (2002)** - In Canada, bidirectional Granger causation was discovered between the foreign sector and GDP. In the United States, however, the link between the foreign sector and GDP is weaker. Furthermore, the study statistically proved that Canada has a more open economy than the US, making it more trade dependent.
- **Dritsakis, N. (2007)** - The analysis found a substantial bilateral causal association between exports and economic development for the European Union and the United States, but no evidence of a long-term relationship or causality between exports and economic growth for Japan.
- **Eusuf, M. A. & Mansur, A. (2007)** - Only Bangladesh, Pakistan, and Nepal have real exports and real GDP that are cointegrated. Pakistan, Sri Lanka, and Bhutan all saw export-led development in the short and long term. Growth-driven exports had inconsistent results in India, Nepal, and the Maldives.
- **Chiappini, R. (2011)** - Although all 11 European nations had a Granger causation from external FDI to exports of goods and services, the connection was rejected after three years at a 10% significance level. Furthermore, the study discovered considerable variability in Granger causality from export of goods and services to outbound FDI across the participants.

- **Dr. Suchi Gupta (2019)** - The study used data from 1950-51 to 2017-18 to examine the significant changes in volume composition and direction in Indian international trade. It is concluded that the availability of power at a competitive price can be a game changer in textile exports, as well as providing a boost to electronic gear exports.
- **Prof. A.R. Dubay (2011)** - In light of trade liberalisation, a researcher examines the evolving trend and patterns of India's international trade. The data was collected from 2006-07 to 2008-09, and it was concluded that the composition of trade has changed, with traditional products giving way to non-traditional items, and that the direction of trade shows that the EU, the United States, and OPEC countries are the most important destinations for Indian export and import.
- **Nazaquat Hussain (2017)** - The study looks at India's current international trade performance and its influence on the economy and society. It was found that in order to promote export and import, strong policy is required.
- **Khobai, H. & Mavikela, N. (2017)** - Long-term relationships between variables have been demonstrated, and trade openness has a substantial beneficial influence on economic growth in the long run, just as foreign direct investment and capital creation do. The study also discovered unidirectional Granger causation between trade openness, capital formation, and economic development from foreign direct investment.
- **Lawan, M.W. (2017)** - shown unidirectional causation in export-led development from oil and non-oil exports to GDP, as well as from gross capital formation to non-oil export. Bidirectional causation was also found between oil exports and non-oil exports, population and non-oil exports, and non-oil export and foreign reserve in the research.
- **Sikri, Rajiv (2009)** - From a strategic and policy-oriented approach, this study analyses India's existing and prospective foreign policy difficulties. The author examines the long-term variables and trends that should influence the design of the country's foreign policy. If India wants

to become a key role in the complicated and fast changing world of the twenty-first century, the author suggests a rethinking of its strategy. Challenge and Approach: Rethinking India's Foreign Policy concentrates on the country's immediate strategic surroundings. The author also considers critical themes such as energy security, economic diplomacy, defense-diplomacy interactions, and foreign policy institutions.

- **Sushila Subrahmanya** paper "Making Foreign Trade an Engine for Growth," Sushila Subrahmanya reviews India's present foreign trade strategy (2004-09). He believes that India's export promotion and import substitution policies need to be revisited. India should exclusively negotiate accords in the form of countertrade agreements to save its limited foreign exchange resources for technology/technical know-how imports and talent acquisition overseas.

2.2 Literature Gap

This study looked at variety of articles, journals, books, discussion papers, working papers, policy notes, and thesis, dissertations, project reports, newspapers, magazines, seminars, conferences, and workshop edited volumes on export, import, trade balance, balance of payments, foreign trade, and international trade published in national and international publications. Internal trade allows a country to address the demands of its many regions while also encouraging balanced regional growth. Foreign trade also provides two purposes: it allows a country to spend surplus commodities and it allows things that are not produced domestically to be offered. It aids in a country's rapid economic development.

In this study I have observed that oil imports, among other things, contribute the most to the nation's trade imbalance, which must be addressed by the Indian government and its allied agencies through measures such as energy conservation, adoption of alternative energy sources, and public awareness, among others. Import substitution and a

spike in exports are critical for the nation's financial health, which can only be achieved by increasing capital creation and spending more on research and development to avoid the high costs of capital and technology borrowings.

CHAPTER – 3

INDUTRY PROFILE

3.1 Directorate General of Foreign Trade

The Directorate General of Foreign Trade (DGFT) is a department of the Ministry of Commerce and Industry that is led by the Director General of Foreign Trade. This institution was primarily involved in the control and promotion of international commerce through regulation from its formation until 1991, when the government's economic policies were liberalised. In keeping with liberalisation and globalisation, as well as the broader goal of expanding exports, the DGFT has been given the function of "facilitator." With the country's interests in mind, the transition was from prohibition and control of imports and exports to promotion and facilitation of exports and imports.

The Directorate General of Foreign Trade is appointed by the Central Government and can be anybody. Normally, the Director-General of Foreign Trade is appointed by an Indian Administrative Service member who has served for 30 years or more. The Director-General is in charge of an associated office that reports to India's Ministry of Commerce and Industry. The Director-General is the Government of India's Ex-Officio Additional Secretary. The Director-General advises the central government on foreign trade policy and is in charge of implementing it. Currently, the Director-General develops Foreign Trade Policy and Procedures, as well as ITC (HS) Import and Export Classifications.

3.2 Ministry of Commerce and Industry

The Department of Commerce and the Department for Promotion of Industry and Internal Trade are both part of the Ministry of Commerce and Industry (formerly Department of Industrial Policy & Promotion). Ministry

of commerce and industry is a nodal ministry under the government of India. The ministry of commerce and industry overlooks and regulates the working of trade and industry and is responsible for growth and development of industry and trade within and outside the country. This ministry is responsible for the promotion of industry and internal and external trade.

3.2.1 Department of Commerce:

The department of commerce's role is to support and allow a better environment and infrastructure for the country's trade in products and services to expand faster. The department of commerce serves as a focal point for interactions with international organisations such as the World Trade Organization (WTO), the United Nations Conference on Trade and Development, and the Economic and Social Commission for Asia and the Pacific Region, and its members are also responsible for:

- Improves India's WTO bargaining stance.
- Formulates FTAs, or free trade agreements.
- Formulates broad economic corporation agreements.
- Deals with trade disputes and develops trade policy.
- In charge of the commodities section and state trading enterprises.

3.2.2 Department of Industry and Commerce Divisions:

The department for industries and commerce acts as a catalyst for overall development of the industrial sector, through effective discharge of development and facilitation roles. The objective of this department is to promote investment and trade by formulating and implementing trade

related policies that help in safeguarding the interests of the traders as well as the workers engaged in these sectors.

The department implements policies of trade and human resource development to ensure sustainable and growth-oriented industrialization. The department of commerce and industry helps enhance the competitiveness of the industries through modernization, up-gradation of technology and by adopting best trade practices. To ensure smooth functioning of the import and exports in the country, the ministry has divided its departments into the following 10 divisions:

- International Trade Policy Divisions
- Foreign Trade Territorial Division
- Export Products Division
- Export Industries Division
- Export Services Division
- Economic Division
- Administration & General Service Division
- Finance Division
- Supply Division
- Logistics Division

The Department has two attached offices, ten subordinate offices, ten autonomous bodies, five public sector undertakings, one advisory body, fourteen export promotion councils, and five other entities under its administrative supervision.

3.2.3 The Department of Industry and Commerce has administrative jurisdiction over:

- **International Trade:** The exchange of products, capital, and services across international borders is known as international trade. Both export (goods leaving the country) and import (goods entering the country) are included in international trade (goods flowing inside

the country). Buying and selling items between nations is referred to as international trade. International commerce contributes significantly to the country's GDP. For a developing country, it is a useful source of money.

- **Foreign Trade:** The Director General of Foreign Trade leads the Ministry of Foreign Trade, which is headquartered in New Delhi. The Ministry of Commerce and Industry has an affiliated office for this organisation. This organisation has been active in the regulation and promotion of international commerce since its foundation. The ministry of international trade is in charge of carrying out India's foreign trade strategy with the goal of growing exports.
- **State Trading:** State trading occurs under government supervision and is carried out by government-owned firms that typically participate in raw material acquisition or commodity and goods export. State trading organisations are government-owned, sanctioned, and backed businesses that are permitted to participate in commerce.
- **Management of Indian Trade Services:** The Director General of Foreign Trade is in charge of and oversees the management of Indian trade services. The DGFT is an important part of India's trade promotion and foreign exchange earnings. The DGFT protects the interests of India's trading community and is in charge of the country's trade management and general wellbeing.
- **Special Economic Zones:** A special economic zone is a designated region that allows foreign direct investment to take place. A special economic zone is a region with distinct business and trade restrictions than the rest of the country. SEZs are placed within a country's national boundaries and aim to improve the trade balance, employment, investment, job creation, and administrative efficiency. Financial measures are in place to stimulate the establishment of firms in the zone. Investing, trade, quotas, taxation, customs, and labour restrictions are all examples of policies.

3.3 International Trade of India

In India, doing business with other countries is nothing new. Even in BC, India was used to trading with other countries. The Indian economy remained mainly closed from 1947 and 1991. Imports were subjected to high tariffs. Foreign direct investment (FDI) was limited. Foreign commerce improved greatly after the liberalisation in 1991.

Over the previous decade, the Indian economy has gained significant traction by reaching and maintaining an annual GDP growth rate of over 7%. The increased importance of the export industry to the economy explains the high growth rate. Many nations' economic stability was badly harmed by WWII; however, India's financial performance was unaffected, as its GDP continued to expand at 3.5 percent per year while per capita income averaged 1.3 percent per year; this growth rate held until 1979-80.

Following independence in 1947, India's foreign trade strategy emphasised self-sufficiency, which meant a limited reliance on international commerce as a source of revenue. A shockingly huge proportion of individuals were living in destitution. The central government used a "import-substituting" industrialisation approach to increase people's well-being. To execute this, the government devised a complicated, broad, and often costly system of price controls and quantitative limits. The government implemented expansionary fiscal and monetary policies during the 1980s. The economy grew at a 5.8% annual pace, but the quick expansion was aided by a significant current account deficit.

In 1991, India faced a balance of payment problem due to a growing deficit, rising inflation (13.5 percent), and the Gulf War. To increase the efficiency and competitiveness of Indian industry, the Indian economy was opened up to foreign participation for the first time following the crisis. Following 1991, India's economy gradually liberalised, marked by such policy reforms, creating a favourable atmosphere for India's exports to thrive and

evolve into a source of social and economic prosperity. As a result, India has evolved from a closed economy to a significant global market player during the previous decades.

3.4 BoP Crisis of 1991 and the LPG Model

By 1991, India was facing a Balance of Payments crisis, with foreign exchange reserves falling to \$ 2.2 billion, just enough to fund a week's imports. The fiscal deficit, the shaky BoP situation, and rising inflationary pressures all contributed to this. The revenue deficit in India expanded from 0.2 percent of GDP in 1981-82 to 3.3 percent in 1990-91, while the debt-to-GDP ratio climbed from 35 percent in 1980-81 to 49.8% in 1990-91. This was owing to soaring government spending and an unjustifiably low tax system. In 1990-91, our current account deficit grew from 1.35 percent of GDP to 3.69 percent. India's external debt increased from 12 percent of GDP to 23 percent of GDP in 1990-91 as a result of the increasing CAD. Due to the Gulf Crisis in 1991, the increasing stresses of the 1980s reached a breaking point. In 1991, the BoP was on the verge of collapse, with currency reserves falling to \$ 2.2 billion and the country unable to fund even a week's worth of imports!

Only last-resort measures, such as utilising seized gold stocks to get foreign money or borrowing under special IMF facilities, might save the government from defaulting. In exchange, the IMF and other advanced donor countries, particularly the United States, set constraints on India. In reaction to these circumstances and the 1991 crisis, the government implemented an economic programme with two intertwined strands: macroeconomic stability and structural changes. Returning to low and stable inflation, as well as a steady BoP and fiscal position, was the first step. Trade and capital flow reforms, industrial deregulation, public sector reforms, disinvestment, and financial sector reforms were all part of the latter. The 'LPG' (Liberalisation, Privatisation, Globalisation) paradigm,

which saw the Indian economy take a U-turn and start off on a high-growth trajectory, was born out of this.

3.5 Globalisation

In India, globalisation is commonly understood to entail the integration of the country's economy with the global economy. This meant allowing foreign companies to invest in various fields of domestic economic activity; removing barriers to MNC entry; allowing Indian companies to enter into foreign collaborations and encouraging them to establish joint ventures abroad; and implementing massive import liberalisation by switching from quantitative restrictions to tariffs, resulting in greater transparency and lower import duty.

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The General Agreement on Tariffs and Trade (GATT) was founded in Geneva in 1948 with the goal of encouraging all member nations' growth and development through free trade. Negotiations for the GATT's eighth round – the Uruguay round – were supposed to be completed in four years, but due to disagreements among participating countries on key issues such as

agriculture, TRIPs (Trade Related Aspects of Intellectual Property Rights), textiles, and antidumping measures, an agreement could not be reached. To resolve the impasse, GATT Director General Arthur Dunkel drafted a comprehensive text known as the 'Dunkel Draft,' which became the Dunkel Act in 1993, and India signed the agreement with 117 other countries on April 15, 1994. India was supposed to lower basic duty by 30% over six years, which it achieved.

Around the end of 1994, the United States proposed a new 'Social Clause,' under which they would impose a countervailing charge on imports from developing countries to compensate for their cheap labour costs. However, this would negate the developing world's main competitive edge. The World Trade Organization (WTO) was founded on January 1, 1995, as stipulated in the final Act, and India became a founding member of the WTO, despite the Government of India's inability to obtain Parliament's assent immediately. Where tariffs on capital goods, components, intermediate products, and raw materials were higher than these thresholds, India pledged to decrease them to 40% and 25% under the Uruguay Round Agreement.

As import taxes were reduced, Indian industry had to contend with increased overseas competition, which harmed small businesses. The WTO Agreement on Agriculture urged developed nations to cut their agricultural subsidies by 20% in six years and by 13% in ten years. India cooperated, while industrialised countries such as the United States tried to get around the rule by granting 'green box' and 'blue box' agricultural subsidies. Thus, using a range of measures such as tariffs, quotas, and export subsidies, developed nations' protection remained quite high. The 2001 Doha Ministerial urged developed nations to evaluate implementation concerns before tackling new ones.

'The misery of farmers in poor nations is clearly connected to the quantity and kind of subsidy offered to farmers in industrialised countries,' India and the G-20 said in the Geneva round of the WTO in Cancun in 2003. The Cancun round was a disaster. Efforts were made again in Geneva in 2004

to explore developing country issues. The 7th World Trade Organization Ministerial Meeting was the first after the global financial crisis. In 2009, it was held in Geneva. The impact of India's compliance with WTO agreements and criteria was obvious in the growth rates of both imports and exports, which shot up in double digits from 2002 to 2003.

3.6 Depreciation of Currency

Depreciation of the rupee has boosted exports by either increasing export earnings in rupee terms or making Indian goods more competitive on the global market. Thus, the impact of local currency depreciation is reflected in the growth rate numbers for Indian exports. It's worth noting that the Indian Rupee is on a 'managed float,' which means that exchange rates fluctuate due to market forces of demand and supply for the currency, but the RBI intervenes in the forex market on occasion to keep the exchange rate within a particular band. The expense of this operation, even if it is sterilised, is rather considerable. When the rupee devalued, however, imports became more expensive. As a result, imports should have decreased. However, this would occur for goods with elastic demand.

Crude oil and gold have recently been key components of India's imports. Because crude oil has a low price elasticity of demand, the only consequence of the rupee depreciation was to increase the import bill, as seen in the table above. When the price of gold falls, individuals go on a buying binge, more for investment purposes than for consumption. People continue to acquire gold even if the price rises because the predicted price rise increases the profits on owning gold. People have lost trust in other financial assets, particularly since the 2008 financial crisis, and are flocking to gold. As a result, when the rupee depreciates, gold's price elasticity of demand falls, resulting in a rising import cost. This is another reason for increased imports and a widening current account deficit.

The Chinese currency, the 'Renminbi,' is subject to a fixed exchange rate regime and has been maintained undervalued for export purposes, which explains why Chinese goods are inexpensive and have dominated the global market. Because India must compete with China in the global market, and it is impossible to compete with an inflated currency, the Indian Rupee has been maintained undervalued in comparison to PPP levels. In the past, the RBI has purposefully tolerated Rupee3 depreciation. When the rupee began to decline sharply, the RBI stated that it was unable to defend it due to worries over our foreign reserves, which had already plummeted from a high of \$ 350 billion to below \$ 300 billion. RBI will have to sell dollars from its currency reserves and purchase Rupees on the open market to maintain the rupee. This action may not be desirable given the current state of domestic liquidity. As a result, the falling rupee has increased exports and, unfortunately, import bills significantly over time.

3.7 Domestic Trade Policy

The impacts of the COVID-19 pandemic have caused India's economic growth to be lower in 2020. According to the UN World Economic Situation and Prospects 2021 report, India's economy contracted by 9.6% in 2020. In response to the pandemic's consequences, India's Prime Minister announced on 12 May 2020 the commencement of the Self-Reliant India Campaign (Atmanirbhar Bharat Abhiyaan), a unique economic and comprehensive package of INR20 billion (equal to 10% of India's GDP). In line with this, the Government's Budget 2021 contains a variety of stimulus and incentive programmes aimed at reviving growth. With the goal of making India a worldwide manufacturing powerhouse and enhancing its global competitiveness, there is a greater emphasis on indigenisation.

Because of the growing emphasis on self-sufficiency, some steps to encourage the expansion of indigenous industry against imports have been implemented.

- Using trade remedy procedures to combat unfair trade practises is one of them.
- The Bureau of Indian Requirements' obligatory standards are being implemented.
- Public procurement restrictions in favour of local vendors.
- Import licencing regulations apply to a wide range of items, including tyres and pulses.

Furthermore, rising political tensions with China have had an influence on supply chains, with the government banning certain Chinese applications, limiting public procurement from China, and seeking trade retaliation against Chinese businesses.

India has also been putting in place policies to encourage foreign direct investment (FDI). The COVID-19 epidemic has compelled global corporations to review their supply chains and de-risk them by lowering their reliance on certain nations. The Indian government hopes to take advantage of this to attract investment in its industrial industry. Following the border tensions between India and China in 2020, India changed its FDI policy, requiring government clearance for any investment from a nation with whom India shares a land border. In the future years, attempts to attract investment and boost manufacturing in India are projected to continue.

3.8 Disputations at the World Trade Organization

India is currently embroiled in a number of World Trade Organization (WTO) issues. The following are some of the controversies with India:

- The EU has begun a dispute over tariff treatment of some goods in the information and communications technology sector (DS582). The EU solicited consultations on April 2, 2019, and a panel was formed on June 29, 2020.

- Japan started a dispute over some Indian import restrictions on iron and steel goods (DS518). On November 6, 2018, the panel report was released. India announced its intention to appeal on December 14, 2018.
- Guatemala, Australia, and Brazil have launched disputes over sugar and sugarcane policies (DS579). On October 28, 2019, a panel was formed.
- Japan has started a dispute over tariff treatment of some commodities (DS584). Japan sought consultations on May 10, 2019, and a panel was formed on October 7, 2020.
- Chinese Taipei started a dispute over tariff treatment of some items in the information and communications technology industry (DS588). Chinese Taipei sought consultations on September 2, 2019, and a panel was formed on August 31, 2020.
- The US started a dispute over some export restrictions (DS541). The panel was formed in July 2018, and its report was released on October 31, 2019. India announced its decision to appeal the panel's report on November 19, 2019. The dissolved Appellate Body is now hearing the appeal.
- Dispute over India's application of higher tariffs on some items originating in the United States (DS585). The US sought consultations on July 3, 2019, and a panel was formed on January 7, 2020.

Among the disputes raised by India are:

- Seven US states are involved in a dispute over origin-based preference in the renewable energy market (DS510). The group was formed in April 2018, and its report was released on June 27, 2019. The United States announced its decision to appeal the panel report on August 15, 2019.
- Dispute over the United States' application of countervailing taxes on some Indian hot-rolled carbon steel flat goods (DS436). The

compliance panel report was released on November 15, 2019. The United States informed the Dispute Settlement Body of its decision to appeal the compliance panel's report on December 18, 2019.

- Dispute over specific US steps to purportedly modify steel and aluminium imports into the US (DS547). On January 25, 2019, a panel was formed.

The Multi-party Interim Appeal Arbitration Arrangement (MPIA) was formally reported to the World Trade Organization (WTO) and comes into force on April 30, 2020. Article 25 of the WTO Dispute Settlement Understanding (DSU) establishes the MPIA, which allows for arbitrations within the wider WTO dispute settlement system. India has opted not to become a member of the MPIA.

3.9 Trade Agreements

Several regional trade agreements (RTAs) and preferential trade agreements have been signed by India (PTAs). India has notified the WTO of 16 RTAs thus far. The majority of these RTAs were negotiated with nations in the region, including Bhutan, Nepal, and Sri Lanka. India has also engaged into RTAs with Asian nations such as Japan, Malaysia, Thailand, and South Korea as part of its "look east" policy. It has also negotiated free trade agreements with a number of Latin American countries, notably Chile and the Southern Common Market (MERCOSUR).

The following are major RTAs:

- South Asian Free Trade Agreement.
- India-Korea Comprehensive Economic Partnership Agreement (India-Korea CEPA).
- ASEAN-India Comprehensive Economic Co-operation Agreement (ASEAN-India CECA).
- India-Japan Comprehensive Economic Partnership Agreement (India-Japan CEPA).

- India-Malaysia CECA.
- India-Sri Lanka Free Trade Agreement.
- India-Singapore CEPA.
- Indo-Nepal Treaty of Trade.
- India-Bhutan Trade Agreement.
- India-Afghanistan PTA.
- Asia-Pacific Trade Agreement.
- India-MERCOSUR PTA.
- India-Chile PTA.

According to reports, India wants to reach separate investment and "early harvest" trade agreements with the UK and the EU while continuing to negotiate comprehensive free trade agreements (FTAs), which might take longer. The bulk of India's RTAs include goods and services clauses. Tariff liberalisation commitments in these RTAs differ depending on the negotiating country. In India's RTA policy, services are becoming increasingly essential.

3.10 Trade Performance of India During the COVID-19 Period

India's total (merchandise and services) exports were US\$ 394.96 billion in 2020-21 (April-January), a decrease of 10.89 percent from US\$ 443.24 billion in 2019-20 (April-January). India's overall imports in 2020-21 (April-January) were US\$ 400.84 billion, down from US\$ 514.57 billion in 2019-20 (April-January), a negative growth of 22.10 percent. India's overall trade deficit in 2020-21 (April-January) was US\$ 5.88 billion, down from US\$ 71.33 billion in 2019-20 (April-January), representing a significant reduction of US\$ 65.45 billion.

Some of the important efforts made to re-energize India's trade performance and enhance production and exports of Pharma, Agriculture, Automobiles, and Defense commodities include:

- A comprehensive "Agriculture Export Policy" is now being implemented to boost agricultural exports.
- Grapes, Mango, Banana, Onion, Rice, Nutri-Cereals, Pomegranate, Floriculture, and Plant Material are among the eight high-potential Agri-products for which product specific Export Promotion Forums (EPF) have been established to encourage export in a targeted way.
- The Operation Greens plan provides a subsidy for the shipping of fruits and vegetables through Kisan Rail.
- To enhance trade infrastructure and marketing, the Trade Infrastructure for Export Scheme (TIES), Market Access Initiatives (MAI) Scheme, and Transport and Marketing Assistance (TMA) Scheme have all been created.
- Agricultural and Processed Food Products Export Development Authority (APEDA), Marine Products Export Development Authority (MPEDA), Tobacco Board, Tea Board, Coffee Board, Rubber Board, and Spices Board provide assistance to agricultural exporters through their export promotion programmes.
- The advent of online procedures and platforms to promote the export of Indian defence items has simplified export authorisation procedures.
- A plan has been launched to promote the export of Indian defence equipment made in India.
- Domestically made defence items are marketed through Lines of Credit/Funding, which are granted to sovereign governments to enable purchasers in such countries to import goods and services from India, subject to strategic considerations.
- The Interest Equalization Scheme for pre- and post-shipment rupee export loan has been extended for another year, till 31-3-2021.
- Remission of Duties and Taxes on Exported Products (RoDTEP) is a new scheme that has been implemented.
- To improve trade and promote FTA adoption by exporters, the Common Digital Platform for Certificate of Origin was developed.

- Promoting and diversifying service exports through the implementation of detailed action plans for each of the 12 Champion Services Sectors.
- Identifying items with export potential in each district, removing barriers for exporting these products, and assisting local exporters/manufacturers to generate employment in the district to promote districts as export centres.
- Indian missions overseas are now playing a more active role in promoting India's commerce, tourism, technological, and investment interests.

3.11 Market Overview

Following global economic trends during the COVID-19 pandemic, bilateral goods and services trade between the United States and India fell from \$145.9 billion in 2019 to \$121.8 billion in 2020. Furthermore, India's GDP fell by 8% (compared to 4.2 percent increase in 2019). In 2020, India was the United States' 12th largest trade partner, with \$44.8 billion in sales. The United States remained India's greatest commercial partner, with \$77 billion in products sent to the US. The US has maintained a chronic trade imbalance with India for years (\$23.8 billion in 2020). With a 49.4 percent increase in U.S. goods exports to India year-to-date in July, compared to a 28 percent decrease in the same time in 2020, commerce between the two countries is regaining ground in 2021. In 2021, the Indian GDP is expected to rise by 7.2 percent.

In 2020, foreign direct investment (FDI) from India into the United States was estimated at \$12.7 billion, down \$179 million from the previous year. India's direct investment in the United States supported around 70,000 employments in the United States as of 2020. The software and information technology services, business services, pharmaceuticals, and industrial equipment industries have had recently announced Indian FDI projects. In

2020, US FDI into India was valued at \$41.9 billion; however, majority of this investment comes from third-country sources.

The market is populated by the majority of large American corporations. The Indian government has emphasised "self-reliance" as a method of developing and supporting Indian firms and jobs, making it more difficult for American enterprises to sell their goods and services in India. When Indian analogues are available, this is especially true for Indian government purchases. Exporters in the United States may also face pressure to begin producing their goods domestically in order to maintain market access, especially if identical commodities are not manufactured in India. India has imposed several market access hurdles as part of its self-reliance drive, including tariffs, localization requirements, indigenous standards requirements and labelling practises, price controls, and import bans.

Despite the aforementioned market constraints, India presents substantial prospects for American businesses, with great potential for increased bilateral commerce. Indian conglomerates and high-tech firms are on par with their international counterparts in terms of sophistication and prominence, and in some industries, such as information technology, telecommunications, pharmaceuticals, textiles, and engineering, they are globally recognised for their innovation and competitiveness. Successful adaptation to the complexity and variety of India's regional marketplaces demands a long-term planning horizon and a state-by-state approach, according to US corporations operating in India.

3.12 Market Challenges

Protectionist Policies and High Tariffs

Exporters and investors in the United States face opaque and frequently unexpected regulatory and tariff frameworks. Some American goods and services have limited market access. India has the highest average tariff of

any G20 countries, as well as some of the highest bound tariff rates among WTO members.

Price Sensitivity

Indian firms and customers were price sensitive even before the epidemic and the following economic recession. Companies in the United States must assess if they can sell at pricing that Indians are ready to pay, and sales models may need to be adjusted accordingly. To reflect Indian consumers' price sensitivity, several businesses sell items in smaller quantities or with fewer features.

Infrastructure

Infrastructure development is critical for India's economic progress. Congested road transportation infrastructure, excessive delays in railway freight transit, inefficient and long turnaround times at ports, and a rapidly increasing yet densely packed airport sector all contribute to major capacity bottlenecks that, if not solved, might stifle economic progress. As an alternative to traditional road and rail transportation, India has ambitious infrastructure development ambitions, particularly for airports and inland waterways. In India, infrastructure projects are frequently delayed due to an insufficient regulatory framework and inefficient project clearance processes. India has earmarked a considerable percentage of its recent yearly budgets for infrastructure development, with the intention of implementing these efforts primarily under a Public-Private Partnership (PPP) model. Even when money is available, timely project implementation within authorised budgets remains a hurdle.

E-Commerce Limitations and Data Localization Needs

Data localization policies and regulations, such as the Personal Data Protection Bill (PDPB) and the Non-Personal Data Governance Framework, are being pursued by the Indian government, which would compel local data to be handled and kept in India. Such policies have cross-sectoral implications and might have a significant impact on US businesses

operating in India. By the end of 2021, the draught PDPB is expected to be presented to the Indian Parliament for deliberation. The Department for Promotion of Industry and Internal Trade (DPIIT) has suggested a national E-Commerce regulation that restricts sellers' purchases from E-Commerce organisations that provide marketplace services to them to 25%. The Ministry of Consumer Affairs has produced its own draught E-Commerce guidelines, which would prohibit huge discounts and flash sales.

Standards for Local Content

The Indian government's 2020 procurement standards limit worldwide bids to purchases of more than \$26.6 million (unless otherwise specified); the regulations also incorporate Indian value-add content preferences. Similarly, state government agencies have imposed localization requirements on businesses bidding for contracts. We expect local content restrictions to grow more rigorous at both the federal and state government levels as India moves toward self-sufficiency.

Power of States

As a federal system, India decentralises a lot of authority and decision-making, with disparities in political leadership, government, rules, taxation, and labour relations at the state level. Indian states have more power than their American equivalents. Companies in the United States must account for differences in business and economic situations throughout India's 28 states and 8 union territories in their national business plans. In India, a regional strategy is essential for success. The present administration has championed the concept of "cooperative, competitive federalism," which encourages states to compete for investment. The Department of Commerce and Industry's DPIIT publishes a state-by-state "Ease of Doing Business" score on its website.

3.13 Market Opportunities

Industries such as Civil Aviation, Defense, Education, Energy, Environmental Technologies, Food and Agriculture Value Chain, Healthcare, Information & Communication Technology, Mining, Safety and Security offer U.S. businesses growth prospects in India.

3.14 Market Entry Strategy

Doing business successfully in India requires strategic preparation, due diligence, constant follow-up, patience, and dedication. Multiple marketing initiatives are required to address the Indian market's diverse geographical possibilities, standards, languages, cultural diversity, and economic development levels. Consumer preferences, current sales channels, and changes in distribution and marketing tactics must all be carefully examined before entering India's marketplaces. Because India is a face-to-face society, in-person encounters are usually essential before work partnerships or agreements are formalised. While the epidemic has caused Indian enterprises to collaborate more regularly with worldwide partners in virtual settings, it is unclear whether this is a long-term trend.

Partners and Agents

Sales channels, distribution and marketing techniques, pricing and labelling, and intellectual property protection are among difficulties that new-to-market enterprises must traverse. These concerns are best addressed through an Indian partner or agent, and developing connections with possible agents is crucial. Due diligence is strongly advised to guarantee that business partners are trustworthy.

Considerations for Market Entry

Many foreign corporations are looking for chances in India. It is critical to define the target market and acquire excellent partners who are familiar with those areas and procedural concerns before entering the Indian

industry. Exporters from the United States should consider market tactics in India, such as developing subsidiary connections or joint ventures with Indian firms. Other important considerations for entering the Indian market include developing strategies for specific regions and income groups (i.e., target segments); tailoring offerings to the target group in order to gain early acceptance; obtaining required licences and approvals; and understanding import documentation and procedures.

CHAPTER – 4
DATA ANALYSIS AND
INTERPRETATION

Table 1: India's Export During Period from FY 2010-11 to 2019-20

Year	Exports			
	Oil (US \$ million)	Non-Oil (US \$ million)	Total (US \$ million)	% Share of EXIM
2010-11	41,480.00	209,656.20	251,136.20	40.45
2011-12	56,038.50	249,925.30	305,963.90	38.47
2012-13	60,865.10	239,535.50	300,400.60	37.97
2013-14	63,179.40	251,236.40	314,415.70	41.12
2014-15	56,794.10	253,557.90	310,352.00	40.92
2015-16	30,582.60	231,708.40	262,291.10	40.77
2016-17	31,545.30	244,307.20	275,852.40	41.78
2017-18	37,465.10	266,061.10	303,526.20	39.46
2018-19	46,553.60	283,524.50	330,078.10	39.10
2019-20	41,163.80	271,974.70	313,138.50	39.78

Source: Directorate General of Commercial Intelligence and Statistics.

The table 1 presents statistics on India's imports and exports during a seventeen-year period, from 2010-11 to 2019-20. The figure clearly shows that oil exports climbed dramatically from \$251136.2 million in 2000-01 to \$313138.5 million in 2011. (2019-20). The total quantity of oil exported was \$465,667.50 million, with an average of \$ 46,566.75 million. Oil exports fluctuated over time during the research period. In the year 2015-16, there was a sharp drop in oil exports, to the point that they were roughly half of what they were in the previous year 2014-15. In terms of non-oil exports, there has been an upward tendency. Non-oil exports increased by \$ 271,974.70 million in 2019-20, up from \$ 209,656.20 million

in 2010-11. The total value of non-oil exports was \$2,501,487.20 million, with an average value of \$ 250,148.72. India's total exports grew from \$ 251,136.20 million in 2010-11 to million in 2019-20. Because to a decrease in the country's oil exports, overall exports decreased in the years 2014-15 and 2015-16.

Table 2: India's Import During Period from FY 2010-11 to 2019-20

Year	Imports			
	Oil (US million)	Non-Oil (US million)	Total (US million)	% Share of EXIM
2010-11	105,964.40	263,804.70	369,769.10	59.55
2011-12	154,967.60	334,352.00	489,319.50	61.53
2012-13	164,040.60	326,696.10	490,736.60	62.03
2013-14	164,770.30	285,443.30	450,213.60	58.88
2014-15	138,325.50	309,707.90	448,033.40	59.08
2015-16	82,944.50	298,063.30	381,007.80	59.23
2016-17	86,963.80	297,393.20	384,357.00	58.22
2017-18	108,658.70	356,922.30	465,581.00	60.54
2018-19	140,920.60	373,157.80	514,078.40	60.90
2019-20	130,531.90	343,463.30	473,995.20	60.22

Source: Directorate General of Commercial Intelligence and Statistics.

According to the analysis, the country's oil imports have been increasing year over year with the exception of 2015-16, when oil imports were roughly 60% more than the prior year 2014-15.

Table 3: India's Export During Period from FY 2010-11 to 2019-20

Year	Trade Balance			EXIM TRADE (Total)
	Oil (US million)	Non-Oil (US million)	Total (US million)	
2010-11	\$ (64,484.40)	\$ (54,148.50)	\$ (118,632.90)	\$ 620,905.30
2011-12	\$ (98,929.00)	\$ (84,426.60)	\$ (183,355.70)	\$ 795,283.40
2012-13	\$ (103,175.40)	\$ (87,160.60)	\$ (190,336.10)	\$ 791,137.20
2013-14	\$ (101,591.00)	\$ (34,206.90)	\$ (135,797.90)	\$ 764,629.30
2014-15	\$ (81,531.40)	\$ (56,150.00)	\$ (137,681.40)	\$ 758,385.40
2015-16	\$ (52,361.80)	\$ (66,354.80)	\$ (118,716.70)	\$ 643,298.90
2016-17	\$ (55,418.60)	\$ (53,086.00)	\$ (108,504.60)	\$ 660,209.40
2017-18	\$ (71,193.60)	\$ (90,861.20)	\$ (162,054.80)	\$ 769,107.20
2018-19	\$ (94,367.10)	\$ (89,633.30)	\$ (184,000.30)	\$ 844,156.50
2019-20	\$ (89,368.20)	\$ (71,488.50)	\$ (160,856.70)	\$ 787,133.70

Source: Directorate General of Commercial Intelligence and Statistics.

The overall cost of oil imports was \$1,278,087.90 million, with an average cost of \$ 127,808.79 million. Non-oil imports totalled \$ 3,189,003.90 million throughout the period, with an average of \$ 318,900.39 million. In terms of the trend, all three, namely oil imports, non-oil imports, and total imports, were discovered in the outset. The trade balance of the nation throughout the study period is clearly depicted in the analytical table. The research revealed that regardless of oil and non-oil commerce, the trade balance was negative, showing a trade deficit in the country.

Table 4: India's Export During Period from FY 2010-11 to 2019-20

Year	Export (US \$ million)	Annual Growth Rate
2010-11	251,136.2	
2011-12	305,963.9	21.83%
2012-13	300,400.6	-1.82%
2013-14	314,415.7	4.67%
2014-15	310,352.0	-1.29%
2015-16	262,291.1	-15.49%
2016-17	275,852.4	5.17%
2017-18	303,526.2	10.03%
2018-19	330,078.1	8.75%
2019-20	313,138.5	-5.13%
CAGR	2.23%	

Source: Ministry of Commerce & Industry, Govt. of India; IndiaStat Database

Foreign Trade - imports increased by 21.83 percent to US \$ 305963.9 million in 2011-12, while imports increased by 32.1 percent, compared to 2010-11, when imports increased by 40.5 percent. Export growth is expected to decline significantly, owing to a downturn in global commerce induced by the US and euro zone nations' poor economic and financial conditions. The removal of some export incentives may have had an impact on export performance. The trade deficit increased from US \$ 118632.9 million in 2010-11 to US \$ 183353.7 million in 2011-12 due to large gold imports that contributed to the increase in the bill. In 2013-14, imports increased by 4.65% while imports decreased by 8.25 percent. As a result of the increase in imports and decrease in imports, the trade balance

decreased from US \$ 190336.1 million to US \$ 135797.9 million. Due to a 12.5 percent increase in non-oil imports, the value of imports fell by 8.25 percent in 2013-14 compared to 2012-13. imports fell 1.29 percent, imports fell 4.8 percent, and the trade balance increased modestly to US\$ 137681.4 million in 2014-15.

Table 5: India's Import During Period from FY 2010-11 to 2019-20

Year	Import (US \$ million)	Annual Growth Rate
2010-11	369,769.1	
2011-12	489,319.5	32.33%
2012-13	490,736.6	0.29%
2013-14	450,213.6	-8.26%
2014-15	448,033.4	-0.48%
2015-16	381,007.8	-14.96%
2016-17	384,357	0.88%
2017-18	465,581	21.13%
2018-19	514,078.4	10.42%
2019-20	473,995.2	-7.80%
CAGR	2.51%	

Source: Ministry of Commerce & Industry, Govt. of India; IndiaStat Database

Both export and import are declining because to a global slowdown in targeted markets, and the market is still recovering from the financial crisis

of 2007-08. imports fell 15.48 percent and imports fell 14.96 percent in 2015-16, resulting in a trade deficit of US\$ 137681.4 million to US\$ 118716.7 million. Due to a drop in trade as a result of the global downturn, India has been able to reduce its trade imbalance. The export downturn is commonly blamed on the global economy. imports increased by 5.17 percent in 2016-17, while imports increased by .87 percent, narrowing the trade deficit from US \$ 118766.7 million to US \$ 108504.6 million. In the 2017-2018 fiscal year, overall imports increased by 10.03 percent while imports increased by 21.13 percent, resulting in a trade imbalance of US \$ 162054.8 million.

Table 6: India's Trade Imbalance During Period from FY 2010-11 to 2019-20

Year	Export (US \$ million)	Import (US \$ million)	Trade Balance
2010-11	251,136.2	369,769.1	-118632.9
2011-12	305,963.9	489,319.5	-183355.6
2012-13	300,400.6	490736.6	-190336.0
2013-14	314415.7	450213.6	-135797.9
2014-15	310352.0	448033.4	-137681.4
2015-16	262291.1	381007.8	-118716.7
2016-17	275852.4	384357	-108504.6
2017-18	303526.2	465581	-162054.8
2018-19	330078.1	514078.4	-184000.3
2019-20	313138.5	473995.2	-160856.7

Source: Ministry of Commerce & Industry, Govt. of India; IndiaStat Database

Export Value

The overall value of Indian imports has increased from \$251136.2 million in 2009-10 to \$313138.5 million in 2019-20. Over a ten-year period, imports increased by 1.25 times. The annual growth rate of export was 40.49 percent in 2010-11 and 21.83 percent in 2011-12, before becoming negative by 30.40 percent in 2015-16 and then being positive by 5.17 percent in 2016-17. The Government of India decided to demonetise 86 percent of its currency in November 2016, boosting growth and imports by 5.17 percent in 2016-17, the highest in the prior five years, and by 10.03 percent in 2017-18. During the study period, imports grew at a compound annual rate of 2.23 percent.

Import Value

India's total export value has risen from \$251136.2 million in 2009-10 to \$313138.5 million in 2019-20. imports climbed by 1.25 times during a ten-year period. Export growth was 40.49 percent in 2010-11 and 21.83 percent in 2011-12, before falling to a negative 30.40 percent in 2015-16 and then rising to 5.17 percent in 2016-17. In November 2016, India's government chose to devalue 86 percent of its currency, boosting growth and imports by 5.17 percent in 2016-17, the highest in the previous five years, and by 10.03 percent in 2017-18.

Foreign Trade Direction

The nations with whom we have trading contacts are referred to as the direction of foreign trade. It depicts our trade relationships with the nations to whom we export and from whom we import our requirements, as seen in the table below.

Table 7: The Direction of India's Foreign Trade from FY 2010-11 to FY 2019-20

(US \$ million)

Year		2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Germany	Export	6745	7926	7250	7531	7536	7093	7182	8688	8902	8291
	Import	11882	16296	14323	12927	12786	12088	11584	13296	15161	13351
U. K	Export	7308	8623	8653	9831	9352	8829	8530	9691	9309	8738
	Import	5391	7642	6291	5957	5026	5193	3665	4807	7562	6713
U.S. A	Export	25287	34738	36165	39121	42445	40336	42212	47879	52406	53084
	Import	20051	24475	25223	22415	21820	21781	22307	26611	35550	35663
Saudi Arabia	Export	4674	5678	9786	12209	11127	6382	5110	5411	5562	6237
	Import	20380	31165	33943	36448	28003	20321	19972	22070	28479	26857
U.A. E	Export	33770	35947	36360	30541	33013	30317	31176	28146	30127	28854
	Import	32729	35709	39133	28780	26106	19446	21510	21739	29785	30256
P.R. China	Export	15454	18294	13559	15011	11967	9011	10172	13334	16752	16607
	Import	43474	57592	52267	51112	60442	61708	61283	76381	70320	65259
Hong Kong	Export	10324	12912	12295	12767	13594	12092	14047	14690	13002	10967
	Impot	9399	10583	7909	7290	5575	6052	8204	10676	17987	16935

Source: Ministry of Commerce & Industry, Govt. of India; IndiaStat Database

Germany –

In the 2010-11 fiscal year, imports to Germany totalled US\$ 6745.3 million, increasing to US\$ 8290.7 million in 2019-20. imports rise by 1.23 times during a ten-year period. In the years 2011-12, 2013-14, 2014-15, 2016-17, 2017-18, and 2018-19, the annual growth rate was positive, but in the years 2012-13, 2015-16, and 2019-20, it was negative. In the year 2017-18, the greatest rate of increase was 20.49 percent. The percentage of total export was 2.68 percent in 2010-11 and 2.64 percent in 2019-20, indicating that the share of total export remained stable during the study period. In 2010-11, imports from Germany totalled US\$ 11881.7 million, and in 2019-20, they will total US\$ 13351.3 million. Total imports grow by 1.12 times throughout this time period. Import growth was positive in 2011-12, 2017-18, and 2018-19, but negative for the rest of the time. In the 2010-2011 fiscal year, total imports accounted for 3.21 percent of total

imports, but this figure fell to 2.87 percent in 2019-20. During the research period, both export and import percentages remained stable at around 2% to 3%. During the time, the compound annual growth rate of export and import was 2.08 percent and 1.17 percent, respectively.

United Kingdom –

The value of imports to the United Kingdom increased from \$ 7307.8 million in 2010-11 to \$ 8737.6 million in 2019-20. imports rise by 1.19 times during a ten-year period. The yearly growth rate was 17.99 percent in 2011-12, then.34 percent in 2012-13, 13.61 percent in 2013-14, and a negative growth rate in 2014-15, 2016, 2017, 2018, and 2019-20. Despite the hurdles and uncertainties posed by the Brexit process, the United Kingdom remains a vital export market. In the 2010-11 fiscal year, total imports accounted for 2.90 percent of total imports, but this figure fell to 2.79 percent in 2019-20. The yearly growth rate was set between 2 and 3 percent for the research period. The import value, which was \$5390.8 million in 2010-11, has increased to \$6712.6 million in 2019-20. Imports grow by 1.27 times throughout this time period. Annual growth rate was 41.76 percent in 2011-12, then went negative by 29.49 percent in 2016-17, before returning to a positive growth rate of 31.15 percent and 57.31 percent in 2017-18 and 2018-19, respectively, then a negative growth rate of 11.23 percent in 2019-20. The change was caused by the Brexit process. The percentage of overall imports was 1.45 percent in 2010-11, and it is somewhat lower in 2019-20, at 1.41 percent. The compound annual growth rate of export and import was 1.8 percent and 2.21 percent, respectively.

Table 8: Foreign Trade (Export) Direction from 2010-11 to 2019-20

Year	2010-11	2011-12	2012-13	2013-14	2014-15	2014-15	2014-15	2014-15	2015-16	2016-17	2016-17	2018-19	2019-20
Germany	Value	6745.30	7925.60	7250.00	7530.60	7535.80	7535.80	7535.80	7092.90	7181.60	7181.60	8902.40	8290.70
	AGR		17.50	-8.52	3.87	0.07	0.07	0.07	-5.88	1.25	1.25	2.47	-6.87
U. K	Value	7307.80	8623.00	8652.50	9830.70	9351.70	9351.70	9351.70	8828.50	8530.10	8530.10	9309.30	8737.60
	AGR		18.00	0.34	13.62	-4.87	-4.87	-4.87	-5.59	-3.38	-3.38	-3.94	-6.14
U.S. A	Value	25286.60	34737.90	36164.60	39120.50	42444.80	42444.80	42444.80	40336.00	42212.30	42212.30	52406.30	53084.00
	AGR		37.38	4.11	8.17	8.50	8.50	8.50	-4.97	4.65	4.65	9.46	1.29
Saudi Arabia	Value	4674.10	5677.50	9785.90	12208.50	11127.30	11127.30	11127.30	6381.50	5110.30	5110.30	5561.70	6236.90
	AGR		21.47	72.36	24.76	-8.86	-8.86	-8.86	-42.65	-19.92	-19.92	2.79	12.14
U.A. E	Value	33770.30	35947.00	36359.60	30541.00	33012.90	33012.90	33012.90	30316.50	31175.50	31175.50	30126.70	28853.50
	AGR		6.45	1.15	-16.00	8.09	8.09	8.09	-8.17	2.83	2.83	7.04	-4.23
P.R. China	Value	15454.30	18293.80	13558.70	15011.00	11966.70	11966.70	11966.70	9011.40	10171.90	10171.90	16752.20	16607.20
	AGR		18.37	-25.88	10.71	-20.28	-20.28	-20.28	-24.70	12.88	12.88	25.64	-0.87
Hong Kong	Value	10323.90	12911.80	12295.20	12766.70	13594.00	13594.00	13594.00	12092.30	14047.20	14047.20	13002.00	10967.00
	AGR		25.07	-4.78	3.83	6.48	6.48	6.48	-11.05	16.17	16.17	-11.49	-15.65

Source: Ministry of Commerce & Industry, Govt. of India; IndiaStat Database

USA –

In 2010-11, imports to the United States totalled US\$ 25286.6 million, rising to US\$ 53084 million in 2019-20. Over a ten-year period, imports increased by 2.09 times. During this time, imports more than doubled. In the years 2011-12, 2012-13, 2013-14, 2014-15, 2016-17, 2017-18, 2018-19, and 2019-20, the yearly growth rate was positive, while it was negative for the rest of the time. Due to weak worldwide demand and low commodity prices, imports decreased from US \$ 42444.8 million to US \$ 40336.00 million in 2015-16. Due to the expiry of the GSP (generalised system of preference) in June 2019, preferential tariff protection of imports to the United States was eliminated, affecting India's export-oriented sectors such as medicines, textiles, agricultural products, and automobile components. The percentage of total imports increased from 10.06 percent in 2010-11

to 16.93 percent in 2019-20, indicating that the United States is a key trade partner in terms of export. Imports from the United States increased from US\$ 20051.2 million in 2010-11 to US\$ 35662.5 million in 2019-20. Imports grow by 1.77 times throughout this time period. The annual growth rate was 22.06 percent in 2011-12 and 3.05 percent in 2012-13, following which it became negative for a few years until returning to a positive growth rate in 2016-17, 2017-18, and 2018-19, with a rise of 33.58 percent in 2018-19 and only.31 percent in 2019-20. The percentage of total imports, which was 3.42 percent in 2010-11, has increased to 7.52 percent in 2019-20. During that time, the compound annual growth rate for export and import was 7.69 percent and 5.92 percent, respectively.

Table 9: Foreign Trade Direction (Percentage of Total Export) from 2010-11 to 2019-20

Year		2010-11	2011-12	2012-13	2013-14	2014-15	2014-15	2016-17	2016-17	2018-19	2019-20
Germany	Value	6745.3	7925.6	7250	7530.6	7535.8	7535.8	7181.6	7181.6	8902.4	8290.7
	%	2.68591	2.59037	2.41344	2.39511	2.42815	2.42815	2.60342	2.60342	2.69706	2.64761
U. K	Value	7307.8	8623	8652.5	9830.7	9351.7	9351.7	8530.1	8530.1	9309.3	8737.6
	%	2.9099	2.81831	2.88032	3.12666	3.01326	3.01326	3.09227	3.09227	2.82033	2.79033
U.S. A	Value	25286.6	34737.9	36164.6	39120.5	42444.8	42444.8	42212.3	42212.3	52406.3	53084
	%	10.0689	11.3536	12.0388	12.4423	13.6763	13.6763	15.3025	15.3025	15.8769	16.9522
Saudi Arabia	Value	4674.1	5677.5	9785.9	12208.5	11127.3	11127.3	5110.3	5110.3	5561.7	6236.9
	%	1.86118	1.85561	3.25762	3.88292	3.58538	3.58538	1.85255	1.85255	1.68496	1.99174
U.A. E	Value	33770.3	35947	36359.6	30541	33012.9	33012.9	31175.5	31175.5	30126.7	28853.5
	%	13.447	11.7488	12.1037	9.71357	10.6372	10.6372	11.3015	11.3015	9.12714	9.21429
P.R. China	Value	15454.3	18293.8	13558.7	15011	11966.7	11966.7	10171.9	10171.9	16752.2	16607.2
	%	6.15375	5.97907	4.51354	4.77425	3.85585	3.85585	3.68744	3.68744	5.07522	5.30347
Hong Kong	Value	10323.9	12911.8	12295.2	12766.7	13594	13594	14047.2	14047.2	13002	10967
	%	4.11088	4.22004	4.09293	4.06045	4.38019	4.38019	5.09229	5.09229	3.93907	3.50228
Total Export		251136.2	305963.9	300400.6	314415.7	310352	310352	275852.4	275852.4	330078.1	313138.5

Source: Ministry of Commerce & Industry, Govt. of India; IndiaStat Database

Saudi Arabia –

The overall export to Saudi Arabia increased from US \$ 4674.10 million in 2010-11 to US \$ 6236.9 million in 2011-12. In the academic year 2019-20, imports grow by 1.33 times throughout this time period. The annual growth rate was 21.46 percent in 2011-12, 72.36 percent in 2013-14, and 24.75 percent in 2013-14, before becoming negative for three years and then becoming positive for the years 2017-18, 2018-19, and 2019-20, with annual growth rates of 5.87 percent, 2.79 percent, and 12.14 percent, respectively. In May 2015, Saudi Arabia announced a restriction on green chill imports, reducing imports. During the research period, the percentage of total export ranged between 1.5 and 4%. In the 2010-11 fiscal year, Saudi Arabia imported US \$ 20379.6 million, which increased to US \$ 26857.4 million in the 2019-20 fiscal year. Imports grow by 1.31 times throughout this time period. India has reduced its crude oil imports from Saudi Arabia, which decreased in the years 2014-15 and 2015-16. India reduced crude oil imports in 2019-20 to obtain a larger discount, lowering imports.

UAE –

Total imports to the United Arab Emirates decreased from US\$ 33770.3 million in 2010-11 to US\$ 28853.5 million in 2019-20. In the year 2019-20, the percentage of total export that was 13.44 percent in 2010-11 drops to 9.21 percent. The value of UAE imports decreased from US\$ 32729.3 million in 2010-11 to US\$ 30285.6 million in 2019-2020. The drop in trade owing to global slowdown, which can be seen in the years 2014 to 2016, and in the years 2016-17 to 2019-20, the annual growth rate was positive for two years and negative for two years, but there was a positive growth rate in front of imports.

Table 10: Foreign Trade Direction (Import) from 2010-11 to 2019-20

Year		2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Germany	Value	11881.7	16296	14323.4	12926.8	12786	12088.4	11583.7	13295.7	15161.1	13351.3
	%		37.15	-12.11	-9.75	-1.09	-5.46	-4.18	14.78	14.03	-11.94
U. K	Value	5390.80	7642.10	6291.40	5957.30	5026.00	5192.50	3665.00	4806.80	7561.90	6712.60
	%		41.76	-17.67	-5.31	-15.63	3.31	-29.42	31.15	57.32	-11.23
U.S. A	Value	20051.20	24475.40	25223.10	22414.70	21820.00	21781.40	22307.40	26611.00	35549.50	35662.50
	%		22.06	3.05	-11.13	-2.65	-0.18	2.41	19.29	33.59	0.32
Saudi Arabia	Value	20379.60	31164.60	33943.30	36447.70	28003.00	20321.30	19972.40	22070.00	28479.20	26857.40
	%		52.92	8.92	7.38	-23.17	-27.43	-1.72	10.50	29.04	-5.69
U.A. E	Value	32729.30	35708.70	39133.20	28780.40	26106.00	19445.70	21509.80	21739.10	29785.30	30255.60
	%		9.10	9.59	-26.46	-9.29	-25.51	10.61	1.07	37.01	1.58
P.R. China	Value	43474.10	57592.20	52267.10	51111.60	60442.00	61708.00	61283.00	76380.70	70319.60	65259.40
	%		32.47	-9.25	-2.21	18.26	2.09	-0.69	24.64	-7.94	-7.20
Hong Kong	Value	9399.20	10583.20	7908.50	7290.20	5575.00	6051.70	8204.20	10676.00	17987.00	16935.30
	%		12.60	-25.27	-7.82	-23.53	8.55	35.57	30.13	68.48	-5.85

Source: Ministry of Commerce & Industry, Govt. of India; IndiaStat Database

P.R. China –

The value of imports to China increased from US \$ 15454.3 million in 2010-11 to US \$ 16607.2 million in 2019-20. imports grow by 1.07 times throughout this time period. The percentage of overall imports, which was 6.15 percent in 2010-11, has decreased to 5.30 percent in 2019-20. Imports from China have increased from US \$ 43474.10 million in 2010-11 to US \$ 5259.4 million in 2019-20. Imports grow by 1.50 times throughout this time span. The percentage of total imports, which was 11.75 percent in 2010-11, has increased to 13.76 percent in 2019-20. There is a mixed tendency in this area. Annual export growth in grows by 18.37 percent at first, then drops by 25.88 percent, 20.28 percent, and finally drops by.86 percent. Imports increased by 32.47 percent in the beginning, but then began to decline, decreasing by 7.19 percent at the end of 2019-20. During

the study period, the compound annual growth rate for export and import was.72 percent and 4.44 percent, respectively.

Table 11: Foreign Trade Direction (Percentage of Total Import) from 2010-11 to 2019-20

Year		2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Germany	Value	11881.7	16296	14323.4	12926.8	12786	12088.4	11583.7	13295.7	15161.1	13351.3
	%	3.21328	3.33	2.92	2.87	2.85	3.17	3.01	2.86	2.95	2.82
U. K	Value	5390.80	7642.10	6291.40	5957.30	5026.00	5192.50	3665.00	4806.80	7561.90	6712.60
	%	1.45788	1.56	1.28	1.32	1.12	1.36	0.95	1.03	1.47	1.42
U.S. A	Value	20051.20	24475.40	25223.10	22414.70	21820.00	21781.40	22307.40	26611.00	35549.50	35662.50
	%	5.42263	5.00	5.14	4.98	4.87	5.72	5.80	5.72	6.92	7.52
Saudi Arabia	Value	20379.60	31164.60	33943.30	36447.70	28003.00	20321.30	19972.40	22070.00	28479.20	26857.40
	%	5.51144	6.37	6.92	8.10	6.25	5.33	5.20	4.74	5.54	5.67
U.A. E	Value	32729.30	35708.70	39133.20	28780.40	26106.00	19445.70	21509.80	21739.10	29785.30	30255.60
	%	8.85128	7.30	7.97	6.39	5.83	5.10	5.60	4.67	5.79	6.38
P.R. China	Value	43474.10	57592.20	52267.10	51111.60	60442.00	61708.00	61283.00	76380.70	70319.60	65259.40
	%	11.7571	11.77	10.65	11.35	13.49	16.20	15.94	16.41	13.68	13.77
Hong Kong	Value	9399.20	10583.20	7908.50	7290.20	5575.00	6051.70	8204.20	10676.00	17987.00	16935.30
	%	2.54	2.16	1.61	1.62	1.24	1.59	2.13	2.29	3.50	3.57
Total Import		369769.1	489319.5	490736.6	450213.6	448033.4	381007.8	384357	465581	514078.4	473995.2

Source: Ministry of Commerce & Industry, Govt. of India; IndiaStat Database

Hong Kong

In this location, there is a mixed trend. Annual export growth in first jumps to 18.37 percent, then dips to 25.88 percent, 20.28 percent, and finally.86 percent. Imports climbed by 32.47 percent at first, but then started to fall, falling by 7.19 percent at the end of 2019-20. The compound annual growth rates for export and import were.72 percent and 4.44 percent, respectively, over the research period.

CHAPTER – 5

CONCLUSION

3.1 Findings

- From 2016-17 to 2018-19, India's export share by destination indicated that the United States took first place, followed by the United Arab Emirates, and China in third place.
- India's overall imports during the FY 2019-20 is 313138.5 (US \$ million) which had a share of 39.78% and
- From 2016-17 to 2018-19, India's import share by destination indicated that China took first place, followed by the United States, and the United Arab Emirates in third place.
- The total imports of India (including goods and services) are expected to reach USD 479.07 billion in April-December 2021*, up 36.31 percent from the same period last year and up 20.25 percent from April-December 2019. Overall imports are expected to reach USD 547.12 billion in April-December 2021*, representing a positive rise of 57.33% over the same period last year and 18.57% over April-December 2019.

5.2 Suggestions

- One policy proposal to the government is for India to increase its foreign trade engagement. This may be accomplished through providing an enabling environment for trade promotion as well as increasing India's engagement in the global market.
- The government should encourage the creation of additional exportable goods by providing tax incentives and subsidies when needed.
- The government should also decrease export duties to stimulate greater exports, as exports have been shown to benefit India's economic growth.
- Importation should be discouraged by the government, save for capital items that may be employed in production rather than consumption. Because importation has a detrimental impact on India's economic growth, the government can achieve this by implementing tight limitations like as quotas and increased import charges.
- The government should take steps to decrease the exchange rate, which has a negative impact on economic growth; and the government should stimulate domestic investment by increasing gross capital creation, which enhances India's economic growth.
- The Ministry of Commerce and Trade, the Directorate General of Customs and Excise, the Directorate General of Foreign Trade, the World Trade Organization (WTO), the Reserve Bank of India, and the Ministry of Finance must plan and implement various new foreign trade policies in all sectors to increase exports and imports. This will result in multipliers in terms of job creation, income generation, foreign exchange revenues, and improved balance of payment positions. In order to do this, the Indian government, several state governments, and export promotion bodies give various monetary and non-monetary subsidies to foreign trade partners. It will be a good chance for India to maintain a healthy trade balance in the future.

5.3 Conclusion

For a long time, India was a closed economy, but it has gradually grown more open to foreign trade. In the year 2019-20, the value of exports decreased by 5.13 percent, while imports decreased by 7.7 percent. The unanticipated drop in import and export value in 2020 as a result of the worldwide economic catastrophe following the emergence of the COVID-19 pandemic. India's exports are mostly dependent on the United States, the United Arab Emirates, Saudi Arabia, China, and Hong Kong. The government recently concluded free trade agreements with South Korea and Asia, as well as agreements with a number of other countries, all of which are expected to enhance exports in the near future. India primarily exports petroleum products, gems and jewellery, cotton yarn, and other textiles, while importing vegetable oil, crude oil, iron and steel, machinery, and transportation equipment. Understanding the dynamic global trend and a small investment in market research and product development might help India grow exports. Exporters should concentrate their efforts on maximising the benefits of free trade agreements and, most critically, seizing market opportunities. Both the trade and current deficits have decreased in recent years, although they are still negative. According to this study, India's international commerce is increasing and the current account deficit is decreasing, both of which are positive indications for the Indian economy. With the assistance of economic theories, we can fairly infer that there is vast untapped potential for Indian international commerce in the years to come, given the size of the economy, strong growth rates, and little share in world trade.

5.4 Reference

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