

A Study on

“Relations between Indian Trade Policy and Economy in Post-liberalisation Era”

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

Master of Business Administration

International Transportation and Logistics

Submitted by:

Rohit

Registration no. 1903305030 (MBA-
ITLM)

Under the supervision of

Dr. Emil Mathew

Assistant Professor



**SCHOOL OF MARITIME MANAGEMENT
INDIAN MARITIME UNIVERSITY CHENNAI
CAMPUS**

JULY 2020

DECLARATION

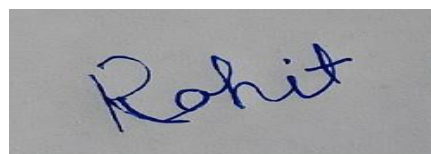
The Project work titled “**A study on Relationship between Indian Trade Policy and Economy in Post-Liberalisation Era**” has been carried out under the direction of **Dr. Emil Mathew**, Assistant Professor, School of Maritime Management, Indian Maritime University-Chennai Campus in partial fulfilment of the requirements for the award of degree of **Master of Business Administration in International Transportation & Logistics** to be submitted to the School of Maritime Management, Indian Maritime University, Chennai Campus. This is the original work done by me and that’s not a part of any other work.

Place: Punjab

Date:28-06-2021

Rohit

Registration No.-1903305030

A rectangular box containing a handwritten signature in blue ink that reads "Rohit".

ACKNOWLEDGEMENT

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

I express my sincere thanks to **Dr. A. Mourougane**, 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. Emil Mathew**, Assistant Professor, School of Maritime Management, Indian Maritime University- Chennai Campus, for his enormous encouragement, help & guidance, throughout the period of my project & 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 express my Gratitude to Two YouTube Platforms i.e. Study IQ and World Affairs to enhance my knowledge related to International Relations.

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

Executive Summary:

This Study analyse the India's Current Foreign Trade Policy (2015-2020) on Indian Economy. It Analyse the Constraint related to India's Ambition Plan of Becoming a Major Economic Giant in the Asia Region. It analyses the major bottlenecks like Infrastructure development i.e. Insufficiency of Funds, Constraints in land Acquisition, Integration of Modes of Transportation, Unscheduled movement through rail network, Constraints Arise to Narrow Roads network. It also analyses the connectivity challenges in North East Region.

This study analyses that how a trade can influence the growth of Indian Economy. One Side it analyses the Supremacy of Indian Service Sector at World Level on the other side it also observes that Exports can also become a core part of this development. It finds out that How Self-Reliant India Initiative will support the MSME Sectors through various Policy Reforms, Financial Reforms and will help India to Produce World Class Products which can be competitive in Foreign Markets. This study also focused on Initiative like 'Make in India' which encourages production of defence equipment's and other products within India.

Overall, this study recommends that India Should take benefit from the 1991 LPG Reforms. As a nation, India can't resist its development by taking the way of Protectionism. It should focus on encouraging its development of finished goods rather than limit its exporting to Raw Materials and Semi-Finished Goods. Although India have Potentials Players in various fields but lack of government support is becoming a bottleneck to enhance their reach at the world. So, India Should adopt the world model for the Industry Development. It also Analyse that Cost-effective labour is not more a key element in production. As, Automation is introducing in the industry, so India should have to develop the enough skill in its workforce by encouraging the "Skill India" at the Mass level over the Whole Country.

Table of Contents

Declaration	2
Acknowledgement	3
Executive Summary	4
Chapter-1 (Introduction)	8-11
1.1 Brief to Study.....	9
1.2 Research Problem	10
1.3 Objective of Study.....	10
1.3.1 Major Objectives.....	10
1.3.1 Major Objectives	10
1.4 Methodology	10
1.5 Scope of Study.....	10-11
1.6 Limitation of Study	11
Chapter-2 Literature Review	12-28
2.1 India's upcoming trade Policy and Current Trends of Policy	13-16
2.2 Trade Openness and Economic Growth of India.....	16-18
2.3 Logistics and GDP Growth.....	18-21
2.4 Impacts of Liberalisation on Trade Aspects.....	21-25
2.5 Challenges with Indian Logistics.....	25-28
Chapter-3 Area of Study (Indian Economy, Trade Policy of India and Indian Logistics	29-49
3.1 Overview of Indian Economy	30-39
3.1.1 Challenges in the Economic Growth	30-31
3.2 Current Trends of Indian Trade Policy	39
3.2.1 India's Top 10 Export-Import Commodities.....	39-40
3.2.2 Indian Import-Export Country-wise	41-44
3.2.3 Merchandise Trade Summary.....	44-47
3.3 Role of Indian Logistics in GDP	47
3.3.1 Current Challenges.....	47-49
Chapter 4: Analysis of the Study	50-70
4.1 Indian Economy and role of Indian Trade Policy.....	51
4.1.1 Review of Current Foreign Trade Policy.....	51-52
4.1.2 India's Trade Agreement in Foreign trade Policy.....	52-55
4.1.3 Discussions on FTA	55
4.1.3.1 Assessment of ASEAN, South Korea And Japan's FTA.....	57-59

4.1.3.2 India and RCEP	59-61
4.2 Bottlenecks in Indian Trade Policy	61-62
4.3 Aatmanirbhar Bharat Abhiyan Programme	62-65
4.4 Challenges in Indian Logistics Sector	65
4.4.1 Global Competitiveness Index 2018-2019	65-66
4.4.2 Major Gaps in Indian Logistics Sector	66-68
4.5 Current Development to deal with Bottlenecks.....	68-70
Chapter-5 Findings, Conclusion and References.	71
5.1 Indian Trade Policy and Indian Economy	72
5.2 Solutions to Challenges of Indian Logistics	73
5.3 Integration of Different Modes of Transportation	73-74
5.3 India and FTA Approach	74
5.4 Another Way of Generating Revenue	74-76
5.4.1 India's Defence Exports an Upper Edge	75
5.4.2 India's Space Service Sector	76
5.5 Conclusion	76
5.6 Direction for further researcher	76
5.7 References	77
5.7.1 Books and Journals	77

Table and Figure

Figures

Figure 1: India's Trade Deficit 2001-2020	9
Figure 2: Price and Interest Rate (Indications)	33
Figure 3: Exchange rate of USD Dollar for last 5 Years	34
Figure 4: Indian Exports (Commodity -Wise) (Top-10)	39
Figure 5: Indian Imports (Commodity Wise) (Top-10)	40
Figure 6: Indian Exports (Share of Countries)	41
Figure 7: Indian Imports (Share of Countries).....	41
Figure 8: Graphical Comparison of Logistics Performance Index (World Bank)	49
Figure 9: Evolution of Trade Agreement in World from 1948-2018	55
Figure 10: Indian Exports (% Increase Y-O-Y).....	57
Figure 11: India's trade with ASEAN, Japan, Korea, Sri Lanka after and before FTA	58
Figure 12: India Trade balance in Key Sectors	59
Figure 13: Major Gaps In Indian Logistics	66

Tables

Table 1: Macro-Economic Indicators of Indian Economy (In Billion Terms)	31-32
Table 2: Other Macro Economic Indicators (% Change over the years).....	32-33
Table 3: Indication for Low Performance of Indian Economy	34-35
Table 4: India's Sector-Wise Contribution in Gross Value added (Percentage-Wise).....	36-37
Table 5: Balance of Payments (USD Million)	38
Table 6: Merchandise Trade in Service	45-46
Table 7: FDI- Inflows in the Indian (Percentage Wise).....	46
Table 8: FDI Equity Inflows- Country Wise.....	47
Table 9: LPI Rank Issued by World Bank.....	48
Table 10: List of India's Free Trade Agreement/ Preferential Trade Agreement	52-55
Table 11: Global Competitiveness Index 2018& 2019	65-66

Chapter-1 – Introduction

India has been developing as an emerging market since 1991. After the introduction of concept of Liberalisation, Privatisation and Globalisation the Indian economy started opening for the world market and for other regional and international players. Our Indian Policy makers have revised many trade policies after 1991 under which our motive is for sustainable growth in this field. But this growth rate slowdowns due to a No. of constraints. Our Indian economy is import-driven economy who imports account for around 19% as per the official data which imbalances our Balance of Payments. Additionally, the lack of proper infrastructure, less demand for domestic products, and in efficient trade policy in terms of their execution. All the things put negative impacts on our economy. It ties our legs in a long race to compete China and emerge as an Asia's Leading economy.

1.1.A Brief to Study: In this study on “Relations between Indian Economy and Indian Trade Policy in Post Liberalisation-Era will analyse the constraints associated with development and flourishing of Indian Trade. It will analyse how's the increase of imports or encourages of exports, service trade, free trade agreement impacts our Country's GDP. This study will analyse India's current ambitious initiative i.e. **Aatam Nirbhar Bharat** will impact our exports and balance of Trade. It will also analyse the feasibility of this approach. Under this initiative India's wants to encourage its manufacturing sector in terms of finished goods. But there are certain bottlenecks which will analysed under this study. Another aspect of this study is to analyse the constraints related to trade agreement. In the past, India signed free Trade agreement. Most of these agreement and partnerships are proved to given upper edge to Other trade partners than India. With Most of the countries we are facing trade deficit issues which accounts for imbalance of 'Balance of Trade'.

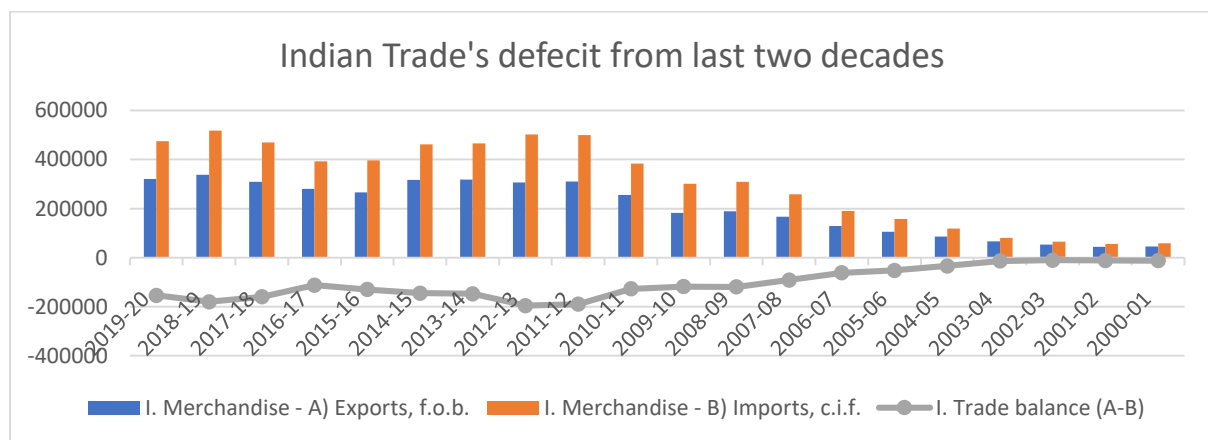


Figure 1.1: Indian Trade Deficit

Source:

<https://rbi.org.in/Scripts/AnnualPublications.aspx%3Fhead%3DHandbook%20of%20Statistics%20on%20Indian%20States>

- **Inference:** India's Trade deficit has increased from last two decades which means our Imports are more than the Exports.

1.2 Research Problem: In this study the analysis had done on bottlenecks associated with Indian Logistics sector. Also, we analyse why India is losing in Free Trade agreements and also the defects in our Foreign trade Policy.

1.3 Objectives of the Study

1.3.1 Major Objectives

- To Study the impact of Indian Trade Policy on Economic growth of India
- To Analyse the challenges faced by Indian Logistics and providing recommendations for deal with bottlenecks

1.3.2 Minor Objectives

- To analyse the impacts of Trade agreement on the Indian Markets
- To Analyse the feasibility of Self-Reliant India in Indian trade network

1.4 Methodology Adopted for Study: The research is based on secondary sources which are published by world class institutions and Indian Economic Institutions. Under this research various report i.e. World trade organisation On Indian trade policy 2020-21, Logistics Performance Index Report (2007-2018), RBI Annual Reports on Indian Economy, Indian Foreign trade Policy 2015-2020 and Upcoming Policy i.e. Indian Trade Policy 2021-2026. This research also comprises the analysis of Current India's free-Trade agreement and Upcoming trade agreement with European Union and USA, RCEP (Regional Comprehensive Economic Partnerships).

1.5 Scope of the Study: As, the Student of International Transportation and logistics management it is necessary to analyse that how's logistics industry is contributing in the Economy, what are the factors which influence the growth of this industry. This study will help to understand the broader view point of subjects which we have studied under the MBA Course

i.e. International Business, Geographical transportation system and International Logistics. Overall, it will help to analyse the business of the industry and its future opportunities and challenges.

1.6 Limitations of the Study: As, this study is a vast concept which requires a time period of around 6-7 months to analyse properly, but due to time constraints it will analyse the major problems not the minor concepts which are also helpful to analyse the concepts. The data for 2021 is not available due to Pandemic which will may lead to some discrepancies.

Chapter-2 Literature Review

2.1 India's Upcoming Trade Policy and Current Trends of Policy

In April 2021 India released its Foreign Trade Policy 2021-2026. The existing policy 2015-20 was extended for a year due to strict lockdown during Pandemic, which end on March 31. The current Foreign policy will be valid till September 30. The new foreign trade policy (FTP) talks about government strategies and actions which helps to boost India's domestic production and exports with the objective of increasing economic growth.

It will be challenge for new policy to counter the effects of second wave of the pandemic. Indian economy is reviving from the effect of pandemic and counter disruptions caused to international trade arisen from restrictions around the world. The UN World Economic Situation and Prospects 2021 report says India's economy was lower by 9.6% in 2020 even the global average slowdown was 4.3%. It estimates that India will grow at 7.3% growth for India in 2021. Exporters are expecting that the new policy will include initiative and focus on improving India's position in merchandise and services exports and to work on deficiencies of Foreign Trade Policy 2015-2020.

The foreign trade policy is a set of guidelines for the trade related activities i.e. import and export of goods and services. In India it is laid by the Directorate General of Foreign Trade (DGFT), the governing body for the promotion and facilitation of exports and imports under the Ministry of Commerce and Industry. The primary objective of trade policy is to facilitate trade by cutting down transaction cost and time, and increasing Indian exports to compete globally, Accelerate economic activity and grab global market opportunities, Encourage a continuous improvement in economic growth by providing leverage to consume raw materials, components, intermediates consumables and capital goods required for production. It also aims to strengthen Indian agriculture, generate employment, encourage stakeholders to strive for international standards of quality, Provide quality consumer products at reasonable prices

The current trade policy 2015-2020 focused on improving India's performance in existing markets/products and exploring new markets/products. It provides export incentives with different eligibility criteria into two schemes – the Merchandise Exports from India Scheme (MEIS) and Services Exports from India Scheme (SEIS). Export incentives under these two schemes apply in the form of duty credit scrips, which can also use by exporters to pay import duties. The scrips are also transferable, by which if an exporter has no use for this, it can pass

it on to another. It also reduced export obligation from 90% to 75% for capital goods sourced from local manufacturers under the Export Promotion Capital Goods Scheme (EPCG). It allowed manufacturers who are “status holders” (entrepreneurs certified by the DGFT as having helped India become a major export player) to self-certify their manufactured goods which are originating from India. It helps them to qualify for preferential treatment under various bilateral and regional trade agreements. This trade policy identifies 108 micro, small and medium enterprise (MSME) clusters for focused interventions with a view to boost exports. It promoted digitisation processing for various DGFT licences and applications.

This current policy has also a dark side. Few provisions have challenged by United states of America on World Trade Organisation (WTO). In 2019 WTO Panel , acts on Washington’s complaint and give guidelines to India that India’s export subsidy provisions violate WTO rules and must be withdrawn included tax incentives. WTO Claims that India’s per capita Gross National Product has crossed over \$1,000 per annum, so, it has no longer to offer subsidies as WTO panel ruled. This arguments helps India to recreates its growing nature and change company’s thinking that it needs to find other ways to help its exporters.

India’s free trade agreements (FTAs) haven’t worked good for its trade policy. In November 2020 India decided to not be a part of the Regional Comprehensive Economic Partnership (RCEP), the world’s largest FTA. Experts and economists believe this moment will cost India huge and become a constraint to increase its exports.

During Covid-19, Indian exports fell by a record 60% and imports by 59% in April 2020. Based on inputs from traders, trade associations, members of Parliament and a government-appointed high-level advisory group, some key expectations form this policy are:

- **WTO-compliant tax incentives:** With incentives under MEIS and SEIS India needs to get benefit from WTO-compliant tax benefits. Government has announced the Remission of Duties or Taxes on Export Products (RoDTEP) scheme, effective January 1, 2021. It replaces MEIS Rates and conditions for the new scheme are yet to be announced.
- **Easy credit access:** Financial institutions such as banks are reluctant to lend loans for MSMEs due to security bonds. The new policy will help to open alternate credit options, such as finance technology start-ups.
- **Infrastructure upgrade:** China is a manufacturing and export powerhouse because its network of ports, highways and high-speed trains, which are act as a benchmark for the

rest of world. India should learn from its neighbour and improve its infrastructure by upgrading its existing ports, warehouses, quality testing and certification centres and building new projects. For promotion of export sector, a scheme laid down for developing infrastructure which was launched in 2017 for a period of three years.

- **Less subsidy, more support:** In 2020, Commerce Minister Piyush Goyal said quality, technology and scale of production are India's global ambitions. Government support in the form of skill development programmes and technological upgradation will help them to become more competitive. Pharmaceuticals, biotechnology and medical devices are some sectors which needs upskilling.
- **Tax breaks:** Exporter need some form of government support if government want to remove subsidies. Easier and lower taxes are a way to support. A Leverage in corporate tax rates and simplification duty structures are also helps to support the exports. The Confederation of Indian Industry also suggests simplifying the import duty structure. There are also demands for improvement of existing schemes such as the EPCG and Duty Drawback Scheme.
- **Digitisation and e-commerce:** AS Covid-19 disrupt in traditional supply chain So, India needs modern trade practices. Digitisation and E-commerce are two ways to deal with this. Digitisation can start with making paperless procedure of Import-Export. Trade body NASSCOM, for example, recommends an online mechanism for Importer Exporter Code (IEC) holders to change their particulars (mobile numbers, e-mail IDs, etc). It also makes a case for encouraging e-commerce exports by including e-commerce export platforms under Niryat Bandhu (a scheme for mentoring entrepreneurs in international trade), by establishing e-commerce export promotion cells within export promotion councils) and establishing e-Commerce Export Zones to promote MSMEs.
- **Export awareness:** Indian exporters aren't lack of trade opportunities but by lack of awareness of the same. The trade policy make provision for government workshops and awareness programmes which educate and inform traders about the international rules and standards, information related to global markets, Guidelines on intellectual property rights, patents and geographical indication (GI).
- **Import Wishlist:** The New Trade policy 2021-26 can be geared towards exports, India's import community has its Wishlist too, which includes permission to import capital goods on self-certification basis and to import prohibited items with the approval

of the Central government approved Board of Approval or Inter-Ministerial Standing Committee.

- Major Expectations from Foreign Trade Policy (FTP) 2021-2026 is to Road to \$5 trillion by 2025. To achieve this dream, it needs to register a GDP growth rate of 8% or more in the next few years and triple its exports to \$1 trillion by 2025. Exports for time period between 1st April- 30th November 2020 period had reached a value of \$304.25 billion. The country's GDP reached \$ 2.88 trillion in 2019–2020. In its 2019 a report suggested that Indian exports must reach \$1 trillion by 2025. The government on its part committed to working towards its \$5-trillion dream.
- **Correcting imbalances:** An Increasing demand of exports is correcting the imbalances in India's international trade processes. Reducing domestic and overseas constraints in Indian trade policy helps to regulate and provide operational framework for reducing transaction costs and support ease of doing business”.
- If FTP 2021-2026 delivers on the government's commitments and lives up to industry's expectations, India as a \$5-trillion economy is not a dream too far.

Source: <https://pib.gov.in/PressReleasePage.aspx?PRID=1708765>,

<https://www.researchgate.net/publication/324521666> **India's Trade Policy Which wa**
y now

2.2 Trade Openness and Economic Growth of India

The Nature of Relationship between openness and economic growth is one of most discuss topic in recent past. This discussion is so important because the determination of pattern between the exports and growth helps the policy makers to analyse the trade policies and make growth strategies for further future. This literature review examines whether the trade policy reforms had any role to play in India's recent Economic growth. The analysis told that the impact of openness was not limited to merchandise trade, but also leads to growth in service sector, increase in migration of labour and also impacts the capital flows inside the economy. New opportunities have opened after liberalization and seen a structural shift with the emergence of exports of software services and business services.

More than six decades has passed since the World Bank, IMF and GATT has formed. With the passage of time, the world economy has drastically changed. International institutions played a major role in shaping world economic order. The World bank, WTO has shared a common goal of facilitate and expansion of trade in goods and services. Responsibilities has been

divided between the countries. WTO Focus on multilateral trade liberalisation and transparency. The IMF focus on overall macroeconomic framework and balance of payments. The World Bank focus on long term growth, development and sectoral trade issues. The International Labour Organisation ensures that human face is not lost in implementing the competitive policies of trade openness and growth.

Openness of an Economy integrates its economy with global world through trade and Financial flows. Since 1980, interdependence has increased among nation states in aspects of trade. Growth of World Merchandise trade has crossed the growth of world GDP. It leads to double trade-to-GDP Ratio for emerging economies between 1980 and 2008. Export Led Growth hypothesis states that expansion of exports is the prime determinant of economic growth. It can't attain only by the increasing labour and capital within the economy, the involvement of foreign trade multipliers is must.

In 1980 many developing countries including India started leveraging the policies for the foreign entities. But poor economic performance and protectionism policies lead to economic crisis of 1991. In 1991 Indian economy undergone a structural change with the Introduction of LPG (Liberalisation, Privatisation and globalisation) concept in the trade policy. With the development of trade, the service sector become a major driver of our economy and contributes more than 50% in the Indian GDP. Indian IT Sector got boost under the new trade policy and make India a giant hub for export of Information and technology enabled services. Rapid Growth of economy between the time period of 2004-2008 attracts Capital inflows from different part of the world. Foreign Portfolio investment in Indian capital markets Boost the Indian corporates to act aggressively in acquisition of overseas business which can justify through high volume of outbound direct investment flows during 2007-09. With the strengthened of capital markets in the developing countries encourages entrepreneurship class to develop which facilitate an efficient allocation of Capital, encourage international risk sharing and foster economic growth.

With the LPG reforms, external sector of India started integrate with the entire world. Reforms in Trade and exchange policy has played a critical role in structural reform of the economy. Major change in trade policies include simplification of procedures, removal of quantitative restrictions, and revision of tariff rates for goods. The Policy regime in India in context of liberalization of external sector has seen drastic changes. After gradually decrease in growth to 0.5 % in 1991, the growth of Indian trade has achieved only 0.6% improvement till 1994.

Foreign trade policy between 2004-09 helps to acquire a share of 1.5% of world trade. Foreign trade policy of 2009-14 set long term policy objective to double India's share in global trade by 2020

Traditionally the service sector of India, is under the government control. Public sector presence has been conspicuous in key sectors of insurance, banking and telecommunications. Until the private sector has come in market the Indian trade sector was lower in demand at world level. After 1991 India's Trade in services in comprises non-factor services divided into categories like Travel, Insurance, transportation, miscellaneous services. Under miscellaneous services its sub categorized into four major services i.e. Business services, software services, financial services and communication services. Services exports of India has seen a growth in the year 2003-04. It became doubled in financial year 2005-06 from \$26.9 billion to \$57.7 billion and further to \$101. 2 billion in 2008-09. Also, the trade share of India in world become doubled i.e. 2.7 in the financial year of 2007-08. Even in the Global economic slowdown of 2007-08 Service sector had shown resilience. India Balance of payments in 2007-08 has seen a surplus of US\$37.6 billion and its further increase to US\$49.8 billion in the year 2008-09. India services sector is dominated by travel earning, software and business services reflecting a strong tourist attraction of world towards India.

After 1991 reforms International Labour migration from India has shown positive impacts on balance of payments through remittances, which can used as financial tool to balance the trade deficit. Also, the repatriable deposits, can be used as a financial part in current account deficit.

Thus, this study highlights that there is long run relationship between exports and economic growth. The exports can be used to predict the direction of GDP. Increase in Exports of goods and services lead the growth of GDP.

Source: <https://openknowledge.worldbank.org/handle/10986/5982> ,
<https://dx.doi.org/10.1080/13504851.2014.931914>

2.3 Logistics and GDP growth

Logistics is becoming a serious contributing sector in economy with the developing of industry. In recent times, many papers discussed the efficiency of logistics industry. Logistics sector supports the productivity of varied manufacturing firms. In Italy, the dimensions and geographical location of the firms determine the Italian logistics firm efficiency score [22]. In

Texas, US customers requested Third party logistics or fulfilment distributors for outsourcing the parcel shipment. Integrations into e-commerce selling platforms and therefore the sort of carrier make it possible. In United Arab Emirates (UAE) shipping and logistics firm, Aramex, serves its terrestrial markets by partnerships with other logistics and transportation companies across the world. They supported e-commerce within supply chain management and shipping services, product storage and order fulfilment.

A review of logistics and transport sector has explained that a transport system supports the international economic relations for creation a world network for exchange of products and transfer of the capital goods among different countries using several transport modes. the planet economy has been transformed and, during this process, the logistics chain is that the essential a part of the manufacturing process. The developments within the logistic sector impacts the economic process for OECD countries. Chinese logistics industry proved that the economic process of China increases by using correlation and regression techniques. The economic process is suffering from many variables like value added services, total employment in logistics sector, Transport freight volume, freight turnover and glued assets investments. Analysis of relations between logistics infrastructure investment and regional economic process in central China reveals that the investment in fixed assets for the logistics industry is important for regional economic process. economic process also impacts the logistics industry through the FDI inflows into the logistics sector of the economy. A true economic process refers to the expansion of industries which contribute through contacting other industries having input-output relations. within the same way the logistics industry influences other economic industries through develop and strengthen the investment environment. to enhance efficiency of the availability chain of the firm, the connection between supply chain integration, supply chain responsiveness, and competitive advantage of the firm becomes essential. Also, logistics and provide chain management bring benefits from innovative information technology, inventory management and buyer-supplier relationship. Emergence of latest information technologies has mentioned the concept of block-chain technology want to trace the movement of products within the logistics sector. The logistics firms are performing on up-gradation of their research projects to gauge, test and make awareness of such new technologies.

The logistics chain must specialise in the event of logistics, transport- related sectors supported a past review, inter-relationships of transportation and logistics. the expansion of transport

infrastructure including railways, roadways, and airways alongside gross capital formation will lead towards sustainable economic process in India. The logistics performance indicator features a negative impact on export likelihood and positive influence on export capacity and can help to enhance the policies of the economy. which will move forward towards sustainable development. The Indian economy has provided the logistics sector with the infrastructure status that has cold chain and warehousing facilities. which will attract more funding to the present sector at competitive rates for all logistics segments, and thus the value of exports is going to be high which will facilitate more competitive rates to grow logistics sector, and therefore the Indian goods are going to be less competitive within the global market.

The tax on the warehouse Facilities like storage of goods and other labor services increased from 15% to 18% after the introduction of GST. Therefore, 3PL provider would have more incentive and therefore the high degree of values addition where input decrease might be claimed. The entry in several states would become easy, and therefore the delays within the transportation cost are going to be reduced. The consumers have different expectations with different products and so the development of the unique set of opportunities helps supply chain to be profitable.

The firm must prepare them from the challenges of the macro-factors which will impact the availability chain. These factors may include the cities, supply chain infrastructure, the emergence of latest channels of distribution, increased globalization, changes within the regulatory climate like GST implementation, affordable technologies and large data.

The logistics industry is especially unorganized and cluttered in India. it's difficult to draw in new recruiters from less attractive pay and incentives during this industry. As evident from the discussion in above papers focused on the infrastructure development in the logistics industry Some articles focused on the development in supply chain management thanks to the advancement of the logistics sector and the way logistics are important for the transportation. Some research also shows that how infrastructure development in logistics industry will help it to grow and therefore the relationship between FDI inflow and therefore the logistics industry. Furthermore, some papers also show that how logistics supports international economic relations and plays a leading role in creating a network for exchange of products. The pricing of the products and services may vary thanks to inefficient supply chain management. In India, on July 1, 2017 an indirect VAT was levied on the manufacture, sale,

and consumption of products, and services at the national level. This recent change within the taxation system of India is understood as Goods and Services Tax (GST). It's applicable for all goods and services that are supplied by the manufacturer or seller. The liability to pay this tax arises at the time of supplying the products and services. That tax is paid by the top consumer only by the last supplier within the supply chain. This new Indian tax regime may have an impression on the availability chain Profitability. This is often the primary plan to understand the factors which will impact the profits incurred through the efficient supply chain of the organization.

Thus, the paper analyses the consequences of inflation, gross domestic product (GDP) and impact of the tax on internet profit (or income) of the logistics firms of India. The paper includes variable as profits after tax because the uncertain environment of GST in Indian markets has changed and rationalized the Indian GST tax regimes and thus the profits after tax to the logistics sector is chosen for analysis. The changes within the economic process indicators like GDP, tax expenses and inflation have a positive impact on the quantity of change within the profits after tax (PAT) of transportation or logistics industry of India.

Source: https://www.wto.org/english/res_e/statis_e/wts2020_e/wts2020chapter03_e.pdf

2.4 Impacts of Liberalisation on Trade aspects

There are many reasons for the countries to interact in international trade. One among the important reasons being a rustic i.e. can get goods from abroad that are cheaper also as of upper quality than the home-made goods. All countries in the world engaged in international trade mainly for 2 reasons. First, nations like individuals can enjoy their differences by reaching an appointment during which each produce the products relatively better way (A competitive advantage). This relativity in production and exchange arises from differences in costs, geographical distance, state-of-the-art technology used, and political compulsion within the sort of economic integration. Second, countries trade to realize economies of scale in production and distribution within the sort of exports with the expanded markets. For explaining that how countries engaged in international trade, many theories and insights are propagated by economists over centuries. These theories are based on old observations ideas but relevant even in modern constraints. In the nineteenth century trade theory by Ricardo

remains highly relevant to the twenty-first century world economy. These theories are based on certain assumptions which are explained below

- i) How and why different countries can gain from trade
- ii) Pattern of trade specialization, i.e., why certain countries export particular goods and import others. The idea written 100 years ago but still effective in today's policy making.

The literature survey can be broadly divided into four parts, like the Classical, Neo-classical, Modern and New Trade theories. The classical approach to trade theories generally revolved round the writings of Smith (1776), Ricardo (1817), and Mill (1917) based on the simplifying approach on production side and Bringing out advantage from the international specialization of trade. The neo-classical approach rests partly on simplifications on both the assembly and consumption side as represented by the concepts of cost and community. The Modern approach began with Heckscher (1919) and Ohlin (1933) which focus on importance of factor endowments represents the foremost impressive theoretical structure has been surveyed by Chipman (1966). The new trade theories origin by Bhagwati (1987).

Most concepts that emerged from the analysis of trade theory and focus on comparative advantage and gains from trade. The trade benefits can be achieved in two ways

- (i) Trade as an indirect method of production requiring less labour than direct production
- (ii) Trade enlarges country's consumption possibilities implying gains from trade.

The distribution of the gains from trade depends on the relative prices of products that a country produce. International trade allows creation of an integrated market which is larger than any other country's market, and simultaneously make it possible to supply consumers a greater sort of products at lower prices. A national trading policy in developing countries cares with two objectives

- (i) promoting industrialization,
- (ii) Dealing with uneven development of the domestic economy.

Many less developed countries trade policies focus on substituting industrialization during which domestic industries are created under the protection of tariffs or import quotas. The high performance of East Asian economies evidenced exports of manufactured goods. They are characterized by very high ratios of trade to value and very high growth rates.

Various studies during time period 1990-2015 concentrate on the positive impact on trade openness on the economy. Two indices (real rate of exchange distortion index and real rate of exchange variability) for measuring trade liberalization. These both indices reported that open economies grew remarkably faster compared to closed economies during the time period of 1976 -1985. Author also suggests the developing countries have to use the method of trade liberalization from growth perspective. It is demonstrated that open developing economies have grown at 4.49 percent per annum while at an equivalent time open developed economies have grown at 2.29 percent per annum. On the opposite hand, closed developing and developed economies have grown at 0.69 and 0.74 percent per annum respectively. Productivity growth is high for open economies. There is active positive relationship between actual trade openness, instrumented trade openness and economic process. These findings suggest that the causality is running from trade openness to economic process rather than going opposite. The novel work of Frankel and Romer (1999) addressed the endogeneity issue related to the trade-volume measure of openness by utilizing information from the well-known gravity model of international trade. These developments within the literature have changed the perception of both policy makers and researchers in favour of a positive relationship that exists between trade openness and economic process.

Trade openness will accelerate growth and depends on an outsized number of other factors like macroeconomic stability and investment in physical and social infrastructure. An appropriate policy towards foreign direct investment shall be implemented. It seems utmost importance to specialise in complementary policies to grab the complete benefits of trade liberalization. Impact of increased openness on economic process are going to be higher if the method is supported by higher investment in human capital, deeper markets and with the supply of infrastructure. There are, however, concerned with the power of the developing countries to realize productivity growth by using trade liberalization and therefore the way endogeneity and measurement issues are addressed in empirical studies. Trade is a crucial driver of growth and infrastructure may be a necessity of trade. It follows that good policies towards other sectors of the economy are important to implement to get the complete benefits of liberalization process.

A 1 percent increase in openness impact the short run economic process and therefore the end of the day economic process by 0.5 and 0.8 percent per annum respectively. Some studies also try to find growth for Indian manufacturing sector.

Some studies found a negative relationship between productivity growth and indicators of national trading policy. Studies on the impact of trade reforms for India are both at the firm also as industry level. Drastic changes are taken place at the world level during the last 20 years of liberalization and globalization. Within the light of worldwide changes, Indian government also initiated the method of domestic and external economic reforms within the early 1990s.

In this literature review an effort has been made to research the connection between three variables i.e. trade openness, export growth and its impact on economic process. The study found that there's bi-directional causality running from GDP to export growth and the other way around for India. The unidirectional causality has also been observed among trade openness and economic process (GDP), which is running from trade openness to GDP. The causality analysis provides support for analyse post- trade liberalisation period.

The International Trade and Development theory argued that exports growth (due to export-oriented policies) contributes positively to economic process and the other way around. Various economists and students have attempted in their respective studies to determine causal relationship between export and output growth. Connection between liberalization and growth alone, but are often enriched by comparing the event experiences of Africa and Asia. Future thinking should turn towards an enquiry for optimal combinations between liberalization and to control market growth and strengthen the competitiveness of developing economies. An examination states that a relationship between exports and economic process for the amount for India. Connections between export growth and GDP growth (the export led growth hypothesis), using recent data from the Federal Reserve Bank of India, and by that specialize in GDP growth and GDP growth net of exports investigate that

- (i) whether exports, imports and GDP are cointegrated
- (ii) whether export growth Granger causes GDP growth
- (iii) whether export growth Granger causes investment.

Electrical machinery, non-electrical machinery, electronics and transport equipment and find strong evidence of a rise in competition and a few evidences of a rise in productivity growth after reforms especially, there's evidence of serious reduction in markups within the years following the reforms in three industries. Some evidence of increases in productivity growth in some industry groups. The study finds that for non-electrical and industry groups, there are evidence of both competition and productivity growth. On the opposite hand some evidences show that there's no evidence of increase in productivity since the onset of reforms in 1991-92.

A crucial limitation of studies is that the reliance on dummy variables and therefore the absence of a particular national trading policy indicator to assess the trade liberalization consequences.

An Empirical literature investigated that there is positive linkage between trade liberalization and economic process especially within the rapidly growing countries. An empirical analysis has been made from the data of Nine countries regarding Export growth and output growth concludes that there's long-run relationship exist between real exports and real output and this relation may be a positive one. An empirical literature analysis during 1990-2000 is that indeed there exists a positive relationship between trade openness and economic process. Also, this positive relationship between trade openness and growth wasn't only robust to the indications of openness but also to functional form, estimation techniques and period of time as claimed by Edwards (1998). There's no evidence that trade liberalization is harmful for economic process. The annual growth rates were 1.5 percentage points higher for countries with liberalized trade policies after trade liberalization over the year of 1950-1998. Consequences of export growth on economic process are divided as some scholars argue that export growth have a positive effect on the Gross Domestic product while other argue that there's no-causality between export and GDP growth.

Source:

[https://www.unrisd.org/80256b3c005bccf9/\(httpauxpages\)/91e1e3a0620d9d72c12578d5005447da/\\$file/1berikrodgers.pdf](https://www.unrisd.org/80256b3c005bccf9/(httpauxpages)/91e1e3a0620d9d72c12578d5005447da/$file/1berikrodgers.pdf)

2.5 Challenges with India Logistics

Logistics service providers the term has redefined many times with the development in the network of logistics. Traditionally, Delfmann et al. (2002) stated LSPs as “Companies which perform logistics activities on behalf of others”. Huo et al. (2008) revised the definition by stating LSPs as “a relationship between a shipper and a third party which, compared with the basic services, has more customized offerings, consist of large No. of services which can characterised by a long term mutually beneficial relationship”. Persson and Virum (2001) categorized LSPs strategically as third-party logistics operator, logistics integrator and logistics agents on the basis of their available physical assets. Additionally, Tezuka (2011) define the term on the consideration of characteristics of service provider i.e. integrated, contract and consulting service providers.

In India logistics outsourcing arises from number of reasons. Logistics service providers enables the smooth flow of material and information in both upstream and downstream of supply chain (Kumar et al., 2012). Organisation in India outsource the logistics operation to save cost and direct their focus on core competencies, better service quality and time saving. Transportation is considered to be most crucial among logistics activities. It accounts for 50-60% cost followed by warehousing which accounts for another 25-30% of the total market, which is followed by value added services and freight forwarding accounts.

The Third-Party Logistics (3PL) business, their categorization, structure and services can be analysed on the basis of different types of industries they served. LSP needs to restructure their process in order to fulfil the enhanced customer expectations despite of so many challenges. Indian logistics sector is not considered as an organized sector. Apart from infrastructure and shortage of skilled manpower, coordination among all supply chain stakeholders is also a major barrier in delivering committed services. The IT Usage in logistics sector increasing but its range is only limited to large organizations.

LSPs can adopt IT tools rather than manual methods of operating. It will improve their decision-making abilities across the supply chain and to decrease cost of operation. Javalgi and Todd (2004) focus on importance of E-services across boundaries and creating value in the supply chains by reducing many other barriers. In 2013, More and Basu analysed the challenges related to supply chain finance which includes issues related to unpredictable cash-flows, lack of automation in the payment processes and lack of knowledge and training on supply chain. So, it is necessary to identify and analyse the challenges faced by logistics service providers in delivering desired quality to the end customers. Based on literature review and experts' opinion, various challenges are identified and discussed in detail below.

1.) **Infrastructural Constraints:** For economic development and urbanization, logistics infrastructure is playing a critical role. With the policies of globalization, India's improving position in world trade is facing the capacity constraints in transport volume. The Indian government has laid down various projects to expand and improve existing road and rail networks and modernizing harbours' and airports. But Development of logistics infrastructure is not in relation with current industry requirements. In developed countries, vehicles can cover the distance of 800-1000 km in a day whereas In India, it is limited to 250-300 km a day. Poor condition of roads and connectivity, and high charges of toll rates, corruption on highways and hinterlands and inadequate air and seaport capacities are the major constraints

2.) **Lack of Efficient Technical System:** GPS technology, tracking and tracing of shipments are already available as advanced IT tools which are used by shippers but only 2% LSPs follow these practices. The country is continuously upgrading its resources technically but adoption rate is still very low. There is need to develop efficient technical systems and makes it mandatory to use IT systems for better economic development.

3.) **Inefficient Inspection of Customs:** The customs and border authorities did not follow strict guidelines and policies for inspection. Multiple handling at check-posts leads to delay and increase damages to goods. Traditionally, the Indian government levied various direct and indirect taxes on goods which makes their movement difficult within and beyond countries boundary but after introduction of GST (Goods and Service Tax), things are expected to be better.

4.) **Lack of Government Support Policies:** Logistics sector is not recognized as industry in India despite 14 percent contribution towards GDP. Even millions of employment opportunities are developed by this sector. The various Industries itself consider logistics as backbone and key driver to their economic and industrial growth. The governmental focus is not focusing towards policy framework, development and recognition of logistics business as an industry.

5.) **Fragmented and Unorganized Sector:** Logistics sector in India is considered to be highly fragmented and unorganized business. Many small and large players where more than 90% of LSPs are those who own less than 2 trucks and 95% are those who own less than 5 trucks impairs quality of services. Only Few large LSPs serve well established and known organizations with comparatively available resources than small players for which they are charging margins freight rates. On the other hand, small players ready to work for low margin which creates unavoidable obstacles for large ones.

6.) **Conventional Ways of Operations:** In developing country, adoption rate of automation is slow due to unavailability and cost. Operations are handle manually including loading and unloading of goods, warehousing, use of pallets and connecting with entire network. Automation of operations can assist in creating nation-wide broadband logistics IT network which help to fasten the overall processes resulting in better customer satisfaction.

7.) **Cost Implications:** Logistics sector requires high investment for resources like vehicles, skilled manpower and warehouses etc. The delays in payment pattern by Indian shippers creates shortage of adequate working capital for LSPs. Por physical and communications

infrastructure is another deterrent to attracting investments in the logistics sector. High costs of operation and delays involved in compliances with varying documentation requirements make the business unattractive

8. Lack of appropriate performance metrics: Absence of adequate standards and benchmarks make it difficult to regulate the logistics sector by the Indian government. Hundreds of logistics service providers resources are providing services with inadequate resources. Lack of appropriate information for performance metrics makes it difficult to selection a right service provider.

9.) Inadequate Skilled Workforce: In India, due to less importance to logistics sector, the industry focus should on specialized training, education and technical knowledge of employees in logistics business. Although this contribution of this sector is high in GDP, but due to lack of availability of skilled manpower for delivering desired logistics services is a big barrier

10) Less awareness towards sustainability measures: Unawareness of LSPs towards sustainability is an important factor leads in low implementation of sustainable practices. Very few LSPs in India work for environment and use recyclable pallets, eco-friendly vehicles and green processes in support to their operations. But there is need to create awareness so that many more can start adopting sustainable practices and make optimum use of available resources.

Source: http://globalbizresearch.org/files/6029_irrem_s-ramachandran-mayur-s-nakhava-kumar-pratik-141238.pdf

Chapter 3: Area of Study
**Indian Economy, Indian Trade Policy and
Indian Logistics**

3.1 Overview of Indian Economy

Indian Economy is one of the fastest growing economy in Asia after China. According to IMF World Economic Forum (April-2021) India's Nominal GDP in 2021 is projected at \$3,050 billion at the base price (2011-12). India attains the title of World Fifth Largest economy in 2019. India's contribution in world GDP stands at 3.25%. In Asia, India stands at 3rd position after China and Japan. India's shares in Asia GDP is around 9%. In term of Purchasing power Parity (PPP), Indian GDP is projected at \$ 10,027 billion USD. In these term India is world third largest economy in the world after United states which followed China.

3.1.1 Challenges in the Economic Growth: Sustaining a valuable Economic growth is challenging with the low-quality infrastructure network all over the country. An inadequate and insufficient infrastructure can increase the transaction cost in Import-Export cycle. Economic growth of India has been weaker since 2019. The drivers of economy i.e. Consumption and private investment has seen a slowdown due to lower demand and credit availability. Real GDP was estimated to grow at 5.0% in fiscal year 2019/20 lower than the 6.8% (Growth rate of previous year) Even by end of May 2020 India grow at rate of 4.2%, mainly due to severe effect of Pandemic Covid-19. Manufacturing and service sector growth was strong till the 2019. The Constraints of growth are infrastructure bottlenecks, despite recent improvements.

- India's current account deficit improved from last few years, but still account for 2.1% of GDP due to rising commodity prices. The trade deficit improved to 0.8% of GDP in the year 2019-20. Foreign direct investment (FDI) almost account for value of half of our current account deficit. Portfolio investment weakened, after the demonetization, but recovering at a slower pace. India's foreign exchange reserves stands at \$605 billion as per the latest data published by Reserve bank of India.
- India's Economic growth had shown a growth of 7.4% till the financial year of 2018-2019. Trade Policy was remained unchanged during this period. But in the first half of

2019, Economic Growth has slowdown due to Lower Consumption and Investment (Private investment and Foreign Investment). From the fiscal year 2019-20 the Gross fixed Capital is growing on the rate of 1%. Even the recent reduction in Corporate tax i.e. from 36% to 22 % and in Income-tax were fail to encourage the Consumer spending and Boost the investment in the country.

- Manufacturing growth except the certain sector has not shown any positive growth. Service sector is the most employed sector and has shown a positive growth.
- To analyse the current position of Indian Economy, the analysis can be done by comparing the value of our GDP in last five years with the Base rate of last decade i.e. 2011. The Macroeconomic Indicators helps to analyse the Indian Economy in a broader Prospective.

Table 1: Macro-Economic Indicators of Indian Economy (In billion terms)

Particulars	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Real GDP at market price (INR Billion), Base Price (2011/12)	105,276.8	113,649.9	122,983.9	131,786.6	140,775.9	147,788.8
Real GDP at market price (USD Billion) (Base Price 2011/12) prices)	1,721.8	1,736.6	1,833.6	2,044.7	2,013.3	-----
Current GDP at market price (INR billion)	124,679.6	137,718.7	153,623.9	170,950	190,101.6	204,422.3

Current GDP at Market Price (USD Billion)	2,039.1	2,103.6	2,290.4	2,652.1	2,718.7	----- --
GDP per capita at current market price (USD Billion)	1,609.4	1,639.6	1,763.2	2,015.3	2,041.1	----- -

Source: RBI; Ministry of Finance, *Economic Survey 2019-20*; Union Budget 2020-21

Inference: India's Real GDP (Nominal/GDP Deflator) is growing around 7 % in last five years. The above chart has shown that with the year its GDP per capita also grows. But it is still low as compared to its rivalry China. India from long term try to achieve a growth of 10% so that it become double of its current value by 2024. But the constraints in trade policy like low demand generation, infrastructure development and the implementation of policies has become a major constraint in this development

Table 2: Other Macro Economic Indicators (% Change over the years)

National account (% change, unless otherwise indicated)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Real GDP (2011-12 Base price)	7.4	8.0	8.2	7.2	6.8	5.0
Consumption	6.6	7.9	7.8	8.6	8.3	6.5
Private	6.4	7.9	8.2	7.4	8.1	5.8
Gross fixed capital formation	7.6	7.5	5.8	15.0	9.2	10.5
Exports of goods and services	2.6	6.5	8.3	9.3	10.0	1.0

Imports of Goods and Services	1.8	-5.6	5.1	4.7	12.5	-2.0
GDP (at current market price)	23.0	19.8	19.2	18.8	19.7	18.4
GDP (at current market price)	26.0	22.1	21.0	22.0	23.6	21.2

Source: RBI; Ministry of Finance, *Economic Survey 2019-20*; Union Budget 2020-21

Inference: Growth rate of Indian growth hasn't performed well in last five years. In the Financial year 2015-2016 and 2019-2020 show negative growth due to poor performance of Indian Manufacturing sector. Indian Imports are also declining which doesn't mean that we become self-reliant for fulfil our demand. Due to low demand generation, which arises due to less increase in GDP Per Capita.

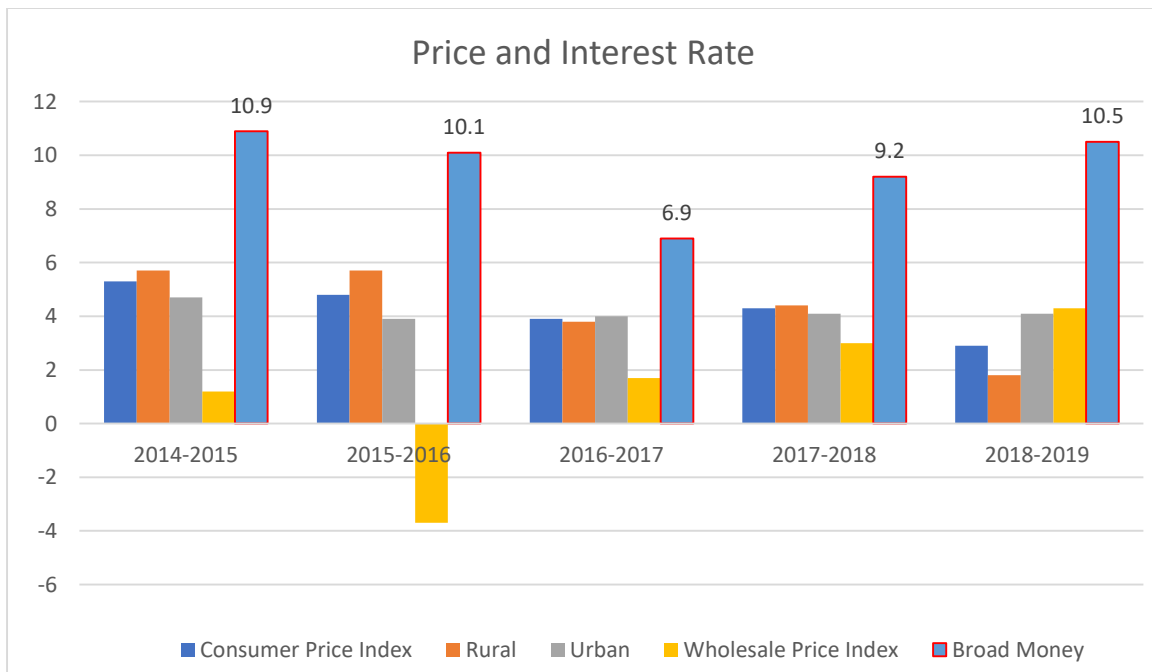


Figure 2: Price and Interest Rate

Source:

<https://rbidocs.rbi.org.in/rdocs/AnnualReport/PDFs/2ECONOMICREVIEW80E1FDD5A97642ADA02908CBC64739B9.PDF>

Inference: Consumer Price Index, Wholesale price index indicates although inflation has decrease over the years but the demand has not grown as discussed by the previous figures. But it slowly increasing now due to certain constraints. Broad money which represents that money is circulating in the economy. As we see from last few years it is growing at a constant pace which interprets that continuously a same amount of money is circulating in the economy.

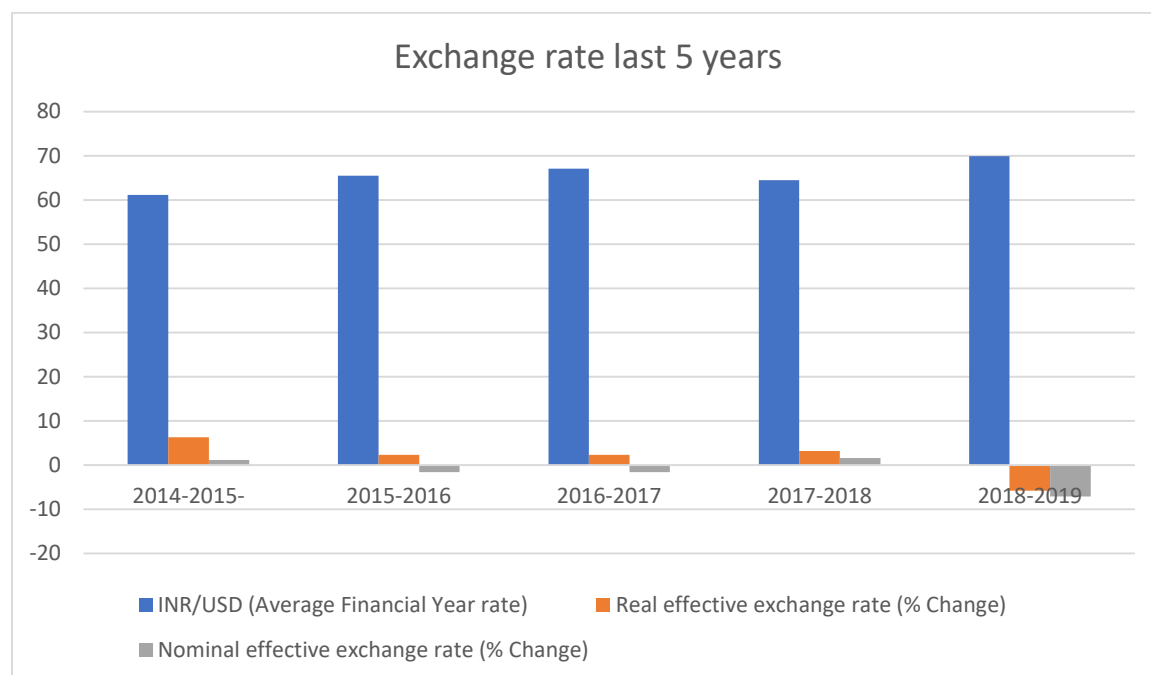


Figure 3: Exchange Rate Last Five Years

Source:

<https://rbidocs.rbi.org.in/rdocs/AnnualReport/PDFs/2ECONOMICREVIEW80E1FDD5A97642ADA02908CBC64739B9.PDF>

Inference: Financial year rate difference shows that Indian Rupee and USD Dollar which is used as a standard currency to deal in trade has average fluctuations around 16.66% in last five years which means have serious effects on Demand-Supply.

Table 3: Indication for Low performance of Indian Economy

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Central government balance (% of GDP)						
Current Balance	-2.9	-2.5	-2.1	-2.6	-2.4	-2.4
Current Revenue	8.8	8.7	8.9	8.4	8.2	9.1
Net Tax revenue	7.2	6.9	7.2	7.3	6.9	7.4

Current Expenditure	11.8	11.2	11.8	11	10.6	11.5
Capital Receipts	4.5	4.3	4.5	4.1	4.0	4.2
Capital Expenditure	1.6	1.8	1.6	1.5	1.6	1.7
Gross Fiscal Balance	-4.1	-3.9	-4.1	-3.5	-3.4	-3.8
Primary Balance	-0.9	-0.7	-0.9	-0.4	-0.4	-0.7
Central Government External Debt	4.4	4.2	4.2	4.2	-----	-----
Savings and investment (% of GDP)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Gross domestic savings	32.2	31.1	30.3	30.5	-----	-----
Gross domestic investment	33.5	32.1	30.9	32.3	-----	-----
External sector (% of GDP, unless otherwise indicated)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Current account balance	-1.3	-1.1	-0.6	-1.8	-2.1	-----
Merchandise trade balance	-7.1	-6.2	-4.9	-6.0	-6.6	-----
Exports	15.5	12.7	12.2	11.7	12.4	-----
Imports	22.6	18.8	17.1	17.7	19.0	-----
Service Balance	3.8	3.3	3.0	2.9	3.0	-----
Financial Account Balance	1.4	1.1	0.6	1.8	3.0	----- -
Direct Investment Rate	1.5	1.7	1.6	1.1	1.1	-----
Terms of trade	57.9	71.8	71.1	73.	70.7	-----
Merchandise exports (% change)	-0.6	-15.9	5.2	10.3	9.1	-----
Merchandise imports (% change)	-1.0	-14.1	-1.0	19.5	10.3	-----
Service exports (% change)	4.1	-2.4	6.4	18.8	6.6	-----
Service imports (% change)	3.6	3.7	13.3	22.6	7.3	-----
Foreign exchange reserves (USD billion, end-period)	317.3	336.1	346.3	399.4	385.4	-----
In Months of Imports	8.9	10.9	11.3	10.9	-----	-----
Total External Debt (USD billion, End-period)	474.4	484.8	471.0	529.3	543.0	-----

Debt Service ratio	7.6	8.8	8.3	7.5	6.4	-----
Unemployment Ratio	-----	3.7	-----	6.1	-----	-----

Source:

[https://www.mospi.gov.in/sites/default/files/press_release/Press Note NAD 31012020.pdf](https://www.mospi.gov.in/sites/default/files/press_release/Press_Note_NAD_31012020.pdf)

Inference:

- A Negative balance of merchandise trade indicates that our imports value is more than our exports which increase the difference in Balance of trade which can also shown as our imports value in every year is standing at more percentage than our exports. Ideally a difference of 7% was has seen between import and export percentage.
- Although our manufactured (Exports in Goods) Has increased from last few years but our imports are also increase in these aspects which again enhance the trade deficit.
- Also, our external debt increases but it doesn't indicate that our country is under debt and it effects our sources. The various institutions like World bank, Asian Infrastructure and development Bank, BRICS bank is providing loan to develop our country sources in Infrastructure projects.
- Unemployment rate indicates that current industries are not able to generate JOB and we need to develop more to support employment for current population.

Table 4: India's Sector-Wise Contribution in Gross value added (Percentage Wise)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Agriculture, forestry and fishing	-0.2	0.6	6.8	5.9	2.4	3.7
Crops	-3.7	-2.9	5.3	4.4	-1.0	-----
Livestock	7.4	7.5	10.0	7.4	8.1	-----
Forestry and logging	1.9	1.7	5.5	6.2	0.4	-----
Fishing and Aquaculture	7.5	9.7	10.4	14.7	12.0	-----
Mining and Quarrying	9.7	10.1	9.8	4.9	-5.8	2.8
Manufacturing	7.9	13.1	7.9	6.6	5.7	0.9
Food Products, beverages and Tobacco	2.7	16.2	10.8	4.6	8.7	-----
Textiles, clothing and leather Products	0.0	19.6	0.8	5.1	4.5	-----

Metal Products	-5.8	-13.7	26.6	10.7	2.1	-----
Machinery and Equipment	9.9	20.3	10.4	11.8	7.2	-----
Other manufactured goods	17.5	16.7	3.0	3.2	5.8	-----
Electricity, Gas and Water Supply	7.2	4.7	10.0	11.2	8.2	4.6
Construction	4.3	3.6	5.9	5.0	6.1	3.0
Services	9.8	9.4	8.5	6.9	7.7	7.0
Trade and repair services	10.2	10.8	10.3	10.4	8.5	-----
Hotels and Restaurants	6.1	13.3	8.8	5.7	7.7	-----
Transport and storage	7.4	6.9	4.3	6.5	6.6	-----
Railway	9.5	5.9	-3.9	7.0	5.0	-----
Road Transport	6.7	7.0	5.6	6.0	6.8	-----
Water Transport	8.3	1.8	5.9	6.5	5.8	-----
Air Transport	14.0	16.7	18.5	17.5	12.3	-----
Services incidental to transport	7.7	7.4	7.0	7.3	7.3	-----
Storage	6.1	13.0	-2.3	9.2	3.5	-----
Communication and Services related to broadcasting	12.8	14.3	1.3	-5.4	5.0	-----
Financial Services	8.5	7.3	3.4	4.8	4.7	-----
Real estate, ownership of dwelling and professional services	12.2	12.1	10.8	4.6	7.6	-----
Public administration and defence	6.6	3.9	8.7	10.0	9.2	-----
Other Services	9.7	8.0	9.8	9.8	9.5	-----

Source:

<https://www.rbi.org.in/Scripts/AnnualPublications.aspx?head=State%20Finances%20:%20A%20Study%20of%20Budgets>

Inference: The Above chart shows that how all sectors are contributing towards the Indian Economy. Agriculture which employs around 40% of current Indian population has contributing not much to GDP i.e. Only around 3.7%. Manufacturing Contribution is also less

in our economy. So, above analysis shows that how much we have to work towards our Indian Import-Export to achieve our future economic goal and to tackle China.

Table 5: India's Balance of Payments (USD Million)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Current Account	-26,789	-22,087.8	-14,350	-48,661	-57,180.4	-24,550.1
Goods and Services balances	-68,411	-60,402.2	-44,097.9	-82,474	-98,341.7	-72,583.8
Good Balance	-144,940	-130,078.7	-112,442.5	-	-180,282.6	-157,505.9
Exports	316,545	266,365.3	280,138	160,035.9	337,236.6	320,430.9
Imports	461,684	396,444.1	392,580.5	308,970.4	517,519.2	477,936.8
				469,006.3		
Service Balance	76,529	69,696.5	68,334.6	77,561.9	81,940.9	84,922.1
Receipts	158,107	154,311.1	164,196.6	195,088.9	208,000.4	213,191
Payments	81578	84,634.7	95,852	117,527.0	126,059.5	128,268.9
Primary Income	-24,140	-24,375.3	-26,301.9	-28,680.9	-28,861.1	-27,280.6
Credit	13,397.0	14,703.0	16,290.8	18,861.6	21,839.3	25,165.5
Debit	37,537.0	39,078.3	42,592.7	47,542.5	50,700.4	52,446.1
Secondary income	65,761	62,689.7	56,049.8	62,493.8	70,022.4	75,314.4
Credit	70,123.0	62,689.7	61,550	69,433.4	76,633.9	83,350.6
Direct Investment	31,251.0	36,021.0	35,612.2	30,286.1	30,712.0	43,013.2
FDI in India	35,283.0	44,906.5	42,214.9	39,430.5	43,302.3	56,006.2
India's direct investment abroad	-4,031.0	-8,885.6	-6,602.7	-9,144.5	-12,590.3	-12,993.0
Portfolio Investment	40,934.0	-4,503.1	7,611.6	22,114.9	-2,438.0	1,403.4
Portfolio investment in India	40,923.0	-4,016.0	7765.6	22,164.7	-2,438.0	552.1
Portfolio investment by India	11.0	-487.2	-154.0	-49.8	-213.3	851.3
Other Investment	18,509.0	8876.0	-16,814.9	41,831.7	25,184.2	35,650.2
Other equity	1,271.0	373.4	0.0	0.0	1,820	0.0
Currency and deposits	15,789.0	15,808.3	-12,080.9	9,675.1	10,693.1	7,964.3
Trade credit and advances	-111.0	-1,609.9	6,467.3	13,899.9	2,020.7	-1,025.6
Reserve Assets	-61,406.	-17,904.7	-21,550.3	-43,574.4	3339.4	-59,498.1

Source: <https://rbidocs.rbi.org.in/rdocs/Speeches/PDFs/DMBEM020310.pdf>

Inference: India's Balance of Payment shows we our current account figures indicates deficit. I.e. Country's spending is more than its earnings. Primary Income shows that Debit is more in our economy than our credit. Although the investment in our India is increasing but our expenditure is still more and we are seeing a big difference in our country's balance which increases the Annual Fiscal deficit in our economy.

3.2 Current Trends of Indian Trade Policy

3.2.1 India's Top-10 Exports-Imports- Commodities

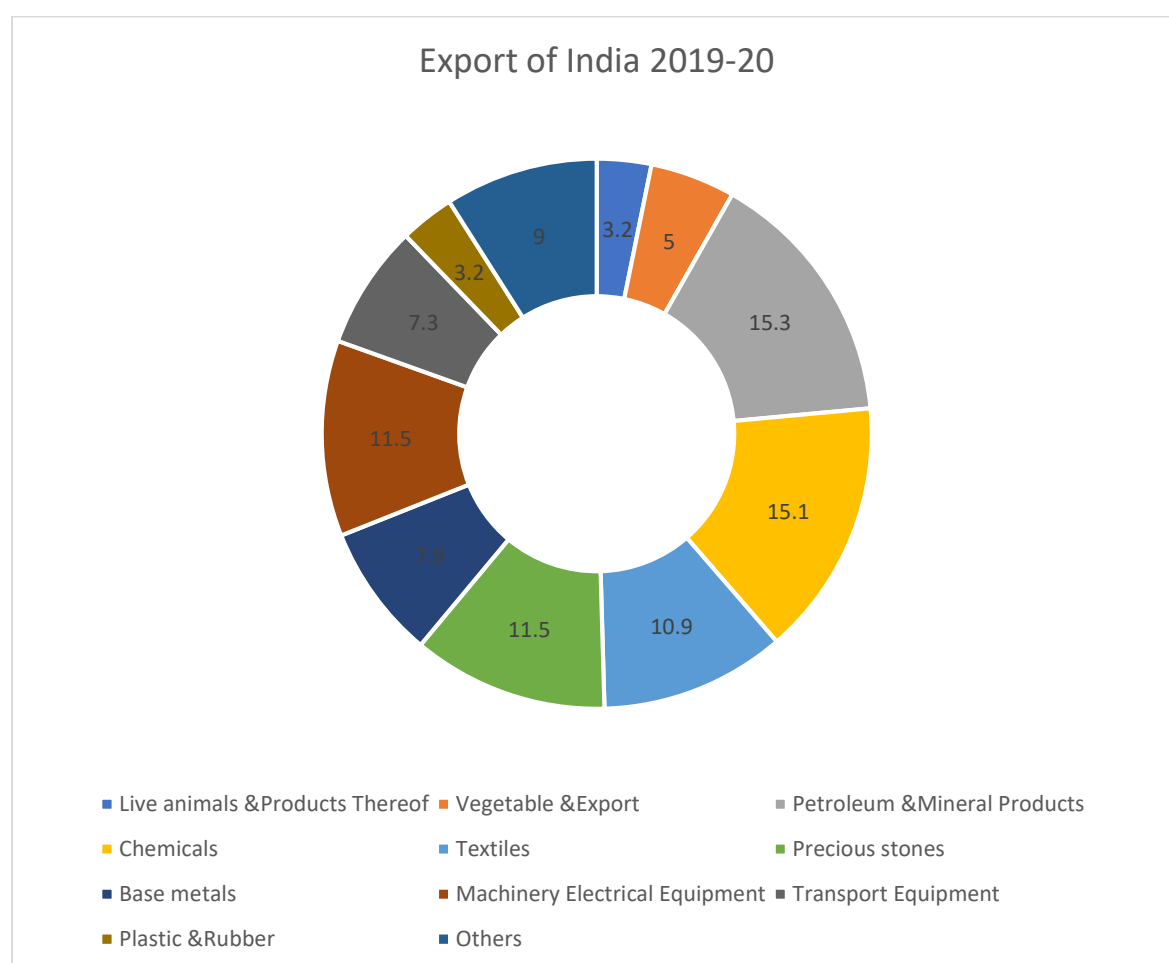


Figure No. 4 : Export of India 2019-20

Source: <https://commerce-app.gov.in/eidb/default.asp>

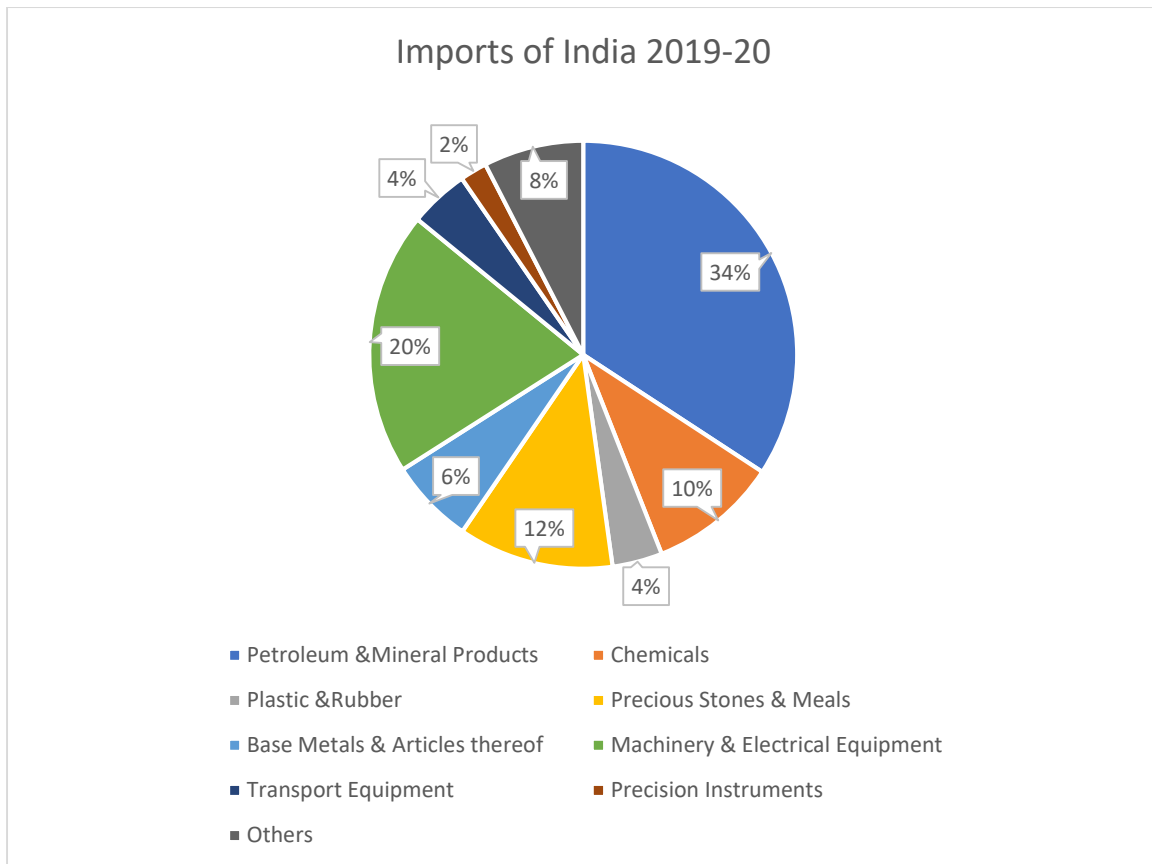


Figure No.5: Imports of India (Commodity Wise)

Source: <https://commerce-app.gov.in/eidb/default.asp>

Inference:

- From Both charts it clear that some same commodities are present on both sides. India is importing and exporting most of the items which it importing but in some other form. For example: India’s Imports crude oil but exports Its Finished products and Crude oil to countries like Bhutan, Nepal and Sri Lanka.
- This type of approach reveals that India’s current trade in export doesn’t focus on new development and new areas to export which put constraint in development of Manufacturing sectors and its exports. The details will be discussed in the Later chapter.

3.2.2 Indian Export-Import Country's Network

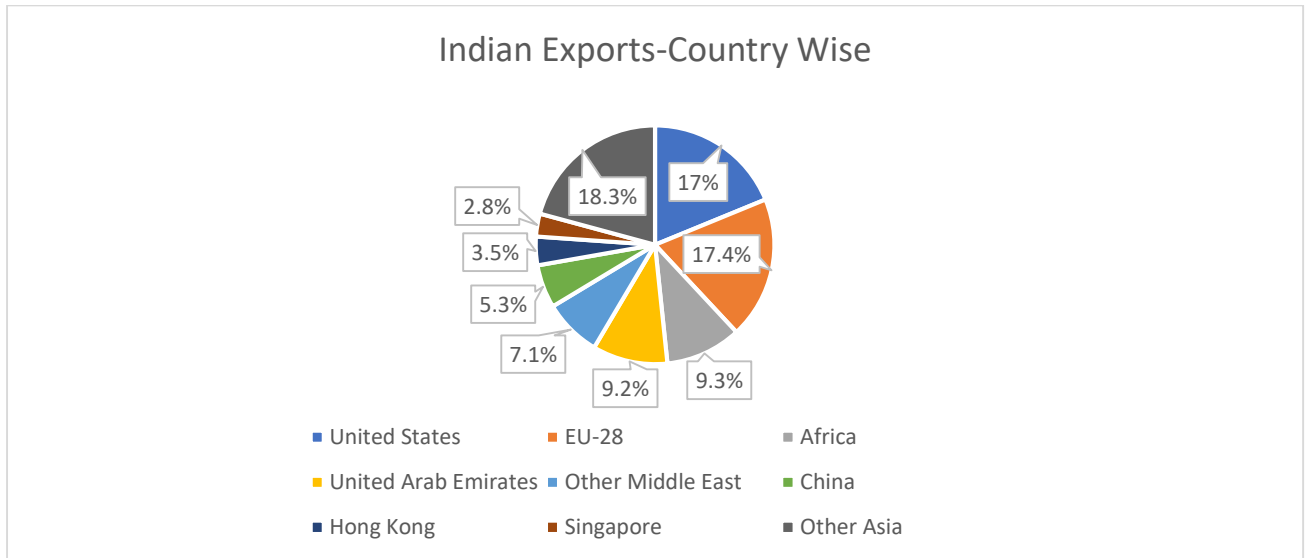


Figure No. Indian Exports-Country Wise

Source: <https://commerce-app.gov.in/eidb/default.asp>

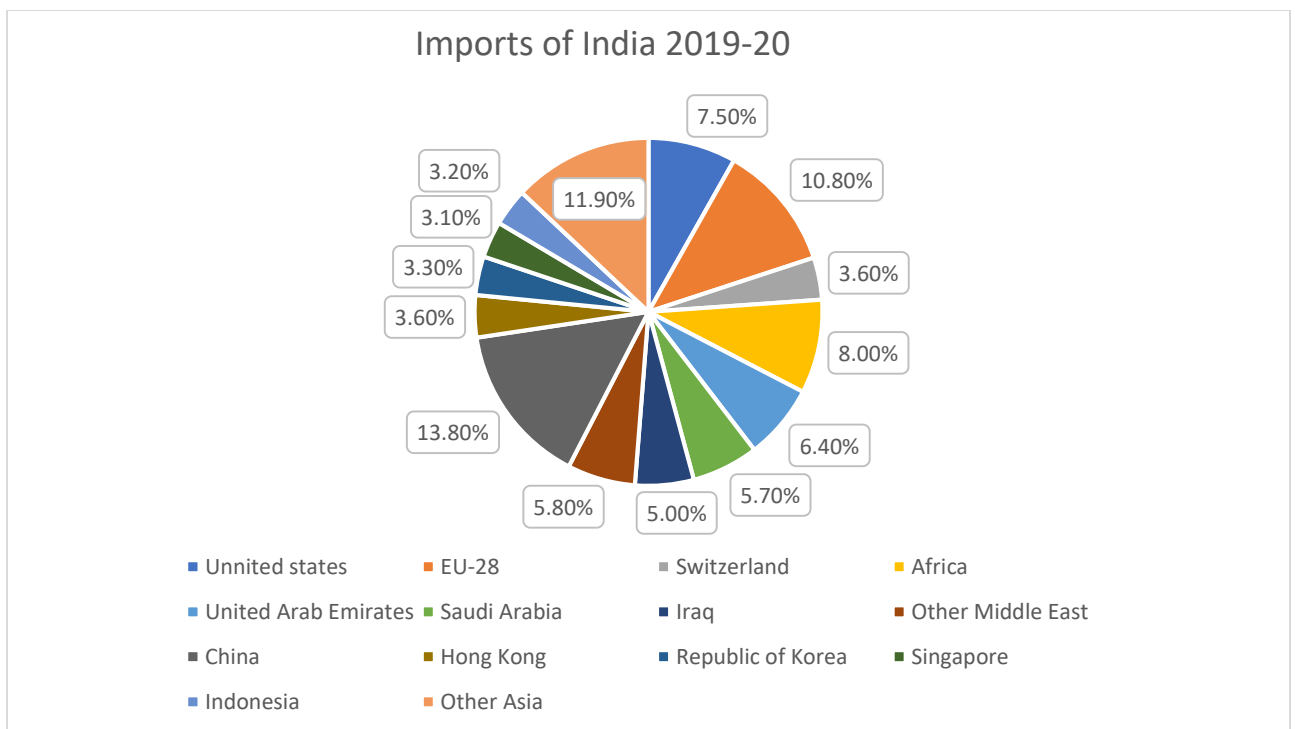


Figure No. 7 Indian Imports Country Wise

Source: <https://commerce-app.gov.in/eidb/default.asp>

The Indian trade policy there was no major changes regarding/ to the formulation and implementation of trade policies after the last review. Trade policies objectives are set out in Foreign Trade Policy (FTP), which is issued every five years from time to time. The FTP aims to increase India's share of global exports from 2.5% in 2015 to 3.5% in 2020. The Export target is to be achieved through a number of incentives, such as Merchandise Export from India and the services Export from Indian Schemes. In earlier policies India liberalize its policies on FDI, further permitting FDI up to 100% in agricultural sector, , defence, broadcasting carriage, telecommunications carriage, Business to business electronic commerce, other air services and non-scheduled air transport services.

Indian trade policy relies on trade policy instruments such as tariff, export taxes, minimum import prices, import and export restrictions and licensing. These are used to manage domestic and supply requirements, promote protectionism and ensure conservation and proper utilization of natural resources. Recent changes made in tariff rates and other trade policy instruments creates uncertainty for traders.

The basic tariff structure unchanged since 2015. After Introduction of GST 2017 the additional duties had removed from the basic tariffs. The GST introduced major changes to import tariffs. It replaces several domestic and imported goods.

India uses both ad valorem and non-ad valorem tariff rates in 2020/21. 93.9% of all tariff lines are subject to ad valorem rates. Remaining 6.1% non-ad valorem rates covered 725 tariff lines Out of which 721 have mixed duties and 4 are subject to specific rates, and duty component. Under Mixed duties 714 tariff lines apply to textiles and clothing and 7 tariff lines apply to natural rubber products.

Note: ad-valorem Tariff rates levied on the Import. It is defined in terms of fixed percentage of value. And non-ad-valorem Tariff rates can't express in terms of fixed percentage of value. It can be specific, compound, mixed or some other form.

India trade policies has certain provisions to manage import and export in the country. Some of the provisions are mentioned as below:

- (i) Provision protect human, animal, plant life or health, public morality, historical heritage, the environment and intellectual property rights (IPRs)
- (ii) Provision prevent the use of misleading practices and illegal trade of arms and ammunition

- (iii) India continues to use designated state trading enterprises (STEs) to import some agricultural products, fertilizers, and oil products by ensuring a fair return to farmers, safeguarding food security, managing the procurement of fertilizer for farmers and implementing the domestic support price system for oil products.

India is working on anti-dumping measures as per the guidelines of WTO. During 2015-19 India initiated 233 investigations, most of the investigations initiated for Chinese Products. By the end of 2019, India had imposed 254 anti-dumping duties. These measures mainly cover chemicals and products. The average time period of anti-dumping measures in year 2019 was 5.9 years. During 2015-20 (January), India initiated 20 countervailing investigations, and there were 11 measures in place. India is also an active user of safeguard measures as per data of June 2019. India had initiated 46 investigations (12% of all the safeguards investigations initiated by WTO Members).

To Promote domestic products consumption and its exports India continues to provide a number of incentives, in the form of direct subsidies and price support schemes, tariff reductions or exemptions from tariff rates. In addition, it become mandatory for banks to lend 40% of total lending money be allocated to sectors like agriculture, small and medium-sized enterprises, education, housing, social infrastructure, renewable energy, and exports. Procurement priority is also provided to domestic companies. During 2015-20 period, India maintained sector-specific reservations and preferences in public procurement, and specifically to micro and small enterprises. In 2017, to promote Make in India initiative additional procurement preferences provided to domestic goods.

India's trade policies in the electricity sector ensure reliability and affordability by diversifying energy sources. Various incentives were granted to promote the use of renewables. These efforts increase the share of renewable energy sources to generate electricity from 14.6% in 2015 to 23.7% in 2020. But thermal Power (coal) is India's main source to generate power. India provides subsidies in retail tariffs i.e. tariffs reduction for consumers below the poverty line and small households. For agricultural sector the tariff rates are exempted. The distribution companies under the state ownership is facing financial burden, due to the under-pricing of electricity

The contribution of Manufacturing sector of India's in GDP has decreased from 16.3% to 15.1% in last five years. In merchandise trade textiles and clothing only accounts for 2% of GDP, and 11.4% of merchandise exports but it employs around 45 million people of the country. Automobiles sector contributes around 7% of GDP, and 8% of merchandise exports. India has run a deficit in its balance of trade in manufactured goods. India continues its efforts to Practise National Manufacturing Policy (NMP) which aimed to increasing the share of manufacturing sector in GDP to 25% by end of 2022. Under the NMP programmes are arranged to develop skills, strengthen the financing for SME (Small and Medium Enterprise). The Make in India programme was launched in 2014, in order to attract investment to achieve the target of 25% in GDP Contribution by 2022.

The service sector of India contributes almost 70% to India's GDP growth. The services sector is the largest recipient of FDI. India ran a surplus in its services trade which is almost 3% of India GDP.

Air transport services have been promoted for FDI, but cabotage is still reserved for national air carriers. Several initiatives had taken to improve air connectivity and to provide relief to certain Indian air carriers in context of their operation on international routes. Measures were also put to standardize maintenance, repair, and overhaul of aircraft. For maritime transport, India provides weaver in cabotage for specialized vessels, container traffic, and certain commodities, to encourage coastal shipping. From 2016, India focus to develop port infrastructure to facilitate the trade. During COVID-19, major ports of India deferred the payment of various port charges, and offered storage capacity to various cargo operators. Private port operators are also offered the same weavers.

Table No. 6 Merchandise Trade in Service (USD Billion)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Total Credit in Service	158.1	154.3	164.2	195.1	208.0	213.2
% of Total Credit						
Manufacturing services on physical inputs owned by others	0.1	0.1	0.1	0.1	0.1	0.1
Maintenance and repair services	0.1	0.1	0.1	0.1	0.1	0.1

Transportation	11.1	9.1	9.7	8.9	9.4	9.8
Travel	12.9	13.8	13.8	14.5	13.7	14.1
Construction	1.0	1.0	1.0	1.2	1.6	1.5
Insurance and Pension	1.4	1.3	1.3	1.3	1.3	1.1
Financial	3.6	3.2	3.2	2.6	2.3	2.2
Charges for use of intellectual property	0.3	0.3	0.3	0.4	0.3	0.4
Computer, information, and telecommunication	47.6	49.6	49.6	40.9	41.5	45.1
Other business	18.0	18.8	18.8	19.1	18.8	21.4
Personal, cultural, and recreational	0.8	0.9	0.9	0.8	0.9	1.0
Government goods and services	0.3	0.4	0.4	0.3	0.3	0.3
Others	2.9	1.5	1.5	9.6	9.7	2.8
Total Debit	81.6	84.6	95.9	117.5	126.1	128.3
% of Total Debit						
Manufacturing services on physical inputs owned by others	0.04	0.05	0.04	0.04	0.03	0.05
Maintenance and repair services	0.3	0.4	0.4	0.5	1.0	0.9
Transportation	19.8	17.8	14.7	15.0	16.3	18.9
Travel	18.8	17.5	17.2	16.6	17.2	17.4
Construction	1.4	1.1	0.9	1.3	2.0	2.1
Insurance and Pension	1.4	1.4	1.6	1.4	1.4	1.4
Financial	4.4	3.7	6.1	4.7	2.8	2.3
Charges for use of intellectual property	5.9	5.8	6.0	5.9	6.4	6.0
Computer, information, and telecommunication	5.0	4.8	5.0	5.5	5.9	8.0
Other business	33.9	36.7	33.7	31.2	32.1	36.5
Personal, cultural, and recreational	1.8	1.4	2.3	2.0	2.0	2.4
Government goods and services	1.2	1.0	0.6	0.7	0.9	0.9
Others	6.2	8.3	11.5	15.2	12.1	3.3

Source:

<https://www.rbi.org.in/Scripts/AnnualPublications.aspx?head=Handbook%20of%20Statistics%20on%20Indian%20Economy>

Inference: Above Figures indicates that In Indian Service sector Manufacturing Services are not contributing much in our Indian Economy. Tourism sector is one of main revenue option for the economy. IT Sector services is the leader to contribute in the GDP. Credit is almost twice our debit in this sector. Due to this feature core contributor to our Indian economy.

Table No. 7 FDI- Inflows in the Country (USD million)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
FDI Equity Inflows	29,737	40,001	43,478	44,857	44,366	36,769
% FDI Inflows						
Services	10.9	17.2	20	15	20.6	17.7
Computer Software and Hardware	7.7	14.8	8.4	13.7	14.5	17.3
Trading	9.2	9.6	5.4	9.7	10.1	9.6
Telecommunication	9.7	3.3	12.8	13.9	6.0	11.7
Automobile Industry	9.2	6.3	3.7	4.7	5.9	6.8
Construction	5.5	11.6	4.6	7.3	5.6	4.6
Chemicals (Other than fertilizers)	2.6	3.7	3.2	2.9	4.5	2.3
Power	2.4	2.2	2.6	3.6	2.5	0.9
Drugs and Pharmaceuticals	5.0	1.9	2.0	2.3	0.6	1.1
Total Outflows	4,031	8,886	6,603	9,144	12,590	-----

Source:

<https://www.rbi.org.in/Scripts/AnnualPublications.aspx?head=Handbook%20of%20Statistics%20on%20Indian%20Economy>

Inference: Above figures indicates that which sector of India is getting more investment from Foreign Players. Telecommunication, Service, IT Technology is attracting foreign business inside the country. Although there was decline in Automobile sales but this sector is also attracting new players of automobile market in the country. Like KIA, Renault.

Table No. 8 FDI Equity Inflows-Country Wise (USD Million)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
FDI Equity Inflows	29,737	40,001	43,478	44,857	44,366	36,769
% FDI Inflows						
Singapore	22.7	34.2	20.0	27.2	36.6	31.7
Mauritius	26.4	20.9	36.2	35.5	18.2	20.3
United Kingdom	11.6	6.6	7.7	6.2	8.7	9.66
Netherlands	7.0	6.5	10.8	3.6	6.7	7.6
Japan	7.0	6.5	10.8	3.6	6.7	7.6
Germany	3.8	2.5	2.5	2.5	2.0	1.0
United states	6.1	10.5	5.5	4.7	7.1	7.6
Cyprus	2.0	1.3	1.4	0.9	0.7	0.7
France	2.1	1.5	14	1.1	0.9	1.3
Total Outflows	4,031	8,886	6,603	9,144	12,590	-----

Source:

<https://www.rbi.org.in/Scripts/AnnualPublications.aspx?head=Handbook%20of%20Statistics%20on%20Indian%20Economy>

Inference: Two Asian Countries i.e. Singapore and Mauritius contribute more than 50% in FDI Inflows. France, United states Investing in defence aspects with the country.

3.2.3 Merchandise trade Summary

India Merchandise trade valued for 30% of GDP. Both imports and exports have seen a decline in 2015-16, due to Lower petroleum prices and decline in the global demand. Afterwards Growth in exports has seen around 8% and imports grow at rate of 11%

The total exports value has also increased from USD 310 Billion in 2014-15 to USD 313 billion in 2019-20. In the same time the Total imports value has increased from \$448 billion to USD 474 Billion. It interprets that our exports have grown only USD 3billion in 5 years. Also, the product composition in last five years has not changed. Petroleum and Mineral products, Precious stones and metals, Chemicals and textiles are largest exported items which can also dominates the figures in the Import Section.

The machinery and electrical equipment have increased during this period under the trade policies of encouraging imports and exports of Value-added products. Chemicals and transport equipment imports has also increase with the development of Pharma industry and Infrastructure.

In terms of direction of trade, EU-28 retains the main destination for exports, followed by United states. It interprets that India's foreign policy to focus on western world is executing on the right track. In Asia, we are also exporting China, Hong Kong and Singapore. But the trade deficit between India and China stills stands around \$40 billion.

About 40% of Indian Imports has Origin in Asia. Largest Source of Imports is our neighbourhood country i.e. China. Imports from United States has increase in last five years but significantly decreasing with the European Union. Still, a quarter of Imports has origin in Middle east i.e. Petroleum Products.

3.3 Role of Indian Logistics in GDP

India Logistics & Supply chain contributes around 14% in the Indian GDP. As, per world bank Logistics performance Index 2020 India ranked at 44 which is relatively acceptable as compare to other economies have same income level. But our Rival China which stands at 5th Position in the same index. Logistics impact competitiveness of market in a direct manner. Its ability to fulfil demand is directly linked to efficiency, reliability and predictability of supply chain.

Logistics covers the broader aspects of trade, transport and Commerce. From the manufacturing of goods by a producer to the actual consumption by a customer is linked with logistics. Logistics network is operating by its public arm and private sector arm. Public arm (Government) provides roads, railways and waterways and lays down rules and regulation and Private sector arm who performs the logistics operations. This interplay got complicated with the globalization of manufacturing and the pressure increase on logistics chain for smooth and rapid responses.

In India there is challenge to integrate different mode of transportation, speeding up intra-border movement and dealing with trade protections which impacts the external trade of the country.

Although India took many steps to compete in the global economy. To fuel its global race, country has taken following steps in its logistics game

Government has improved its customs and Trade facilitations with the digitalization and ease in documentation.

Government spends huge amount of money in different infrastructure like dedicated freight corridor, Delhi Mumbai Industrial Corridor, SagarMala Project (For Inland waterway).

Goods and Service Tax boost the movement of cargo within the country.

Creation of dedicated Department of Logistics increased focus on regulating services, setting service level assurances and increase standards.

3.3.1 Current Challenges

- Although the government spend more on the transportation network, capacity and on seamless integration into a multimodal system but it needs to be improved a lot.
- Feeder network need to improve in integration and infrastructure aspects

- For the railways the upgradation is needed in capacity carrying and reliability because railway is losing market share to roads in freight operations. Eastern and Western Dedicated freight corridors is taking long time to develop a network of high capacity rail freight infrastructure
- Roads are a competent mode of transport but it's also requires reforms. Low safety standards, longer lead time and less than ideal working conditions for the truck drivers.
- Digitization in the logistic sector also need to improved. Only then a seamless integrate information, documentation and reliability can be achieved.
- Level of service in the industry is need to improved. Unreliability, Delays, Frequent damage to Cargo are the bottlenecks in logistics service.

All above can be summarized an explain with Logistics performance index published by World Bank

Table No. 9 'LPI Rank Issued by World Bank'

Year	Logistics Performance Index		Customs		Infrastructure		International Shipments		Logistics Quality and Competence	
	LPI Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
2007	39	3.07	36	2.95	36	3.00	43	3.06	31	3.27
2010	47	3.12	52	2.70	47	2.91	46	3.13	40	3.16
2012	46	3.08	52	2.77	56	2.87	54	2.98	38	3.14
2014	54	3.08	65	2.72	58	2.88	44	3.20	52	3.03
2016	35	3.42	38	3.17	36	3.34	39	3.34	32	3.39
2018	42	3.22	43	2.97	48	3.01	38	3.24	39	3.18

Source: <https://lpi.worldbank.org/>

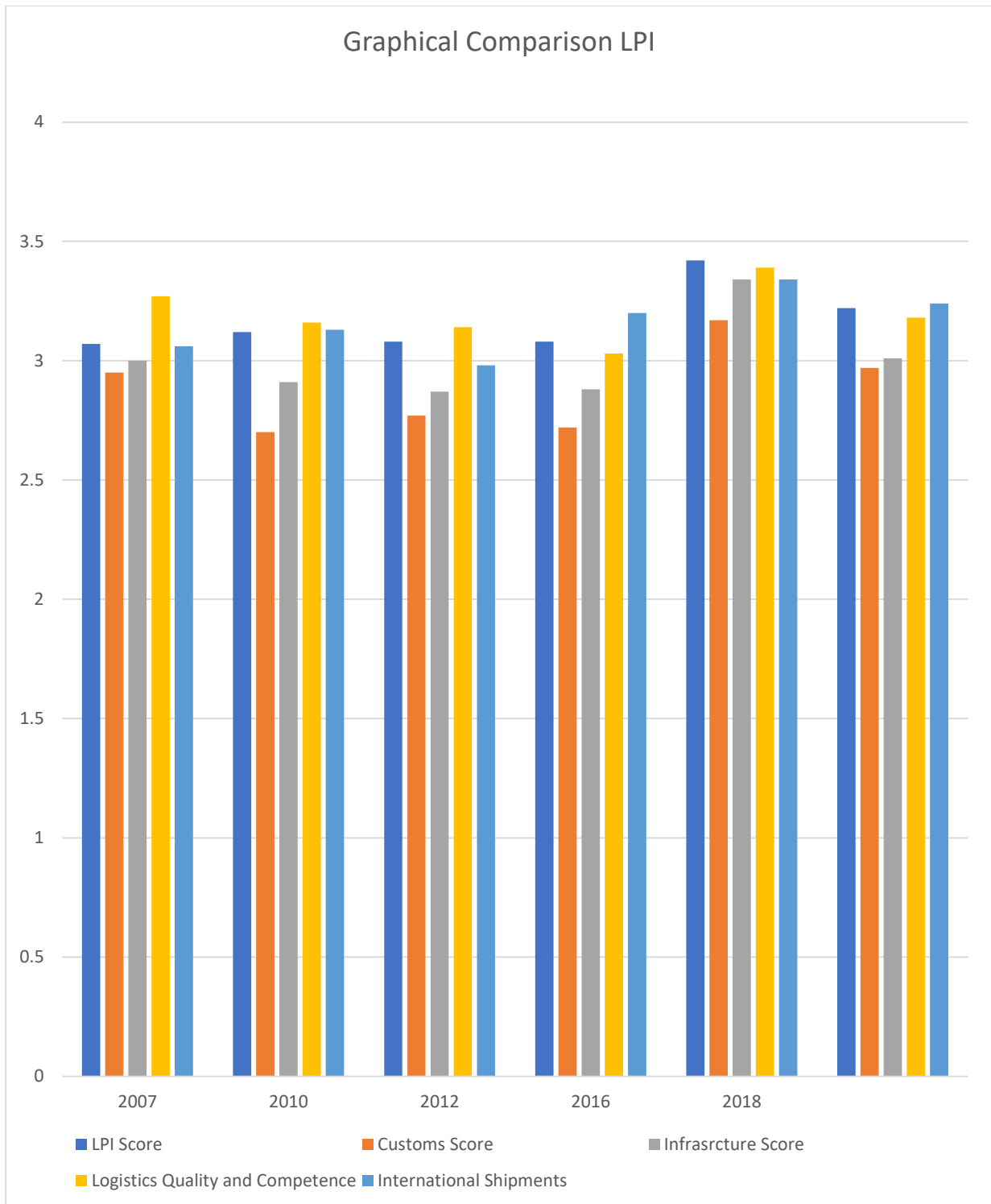


Figure No. 8 Graphical Comparison LPI Rank

Source: <https://lpi.worldbank.org/>

Chapter 4: Analysis of the Study

4.1 Indian Economy and role of Indian Trade Policy

According to IMF, Indian Nominal GDP is Projected at \$3,050 Billion at current Prices. Our Dream to become a \$5 Trillion economy by 2024 has several bottlenecks. To achieve this goal, it is necessary that India should focus on its trade policy. Trade is the core element through which we can achieve this Milestone. But India's Current GDP is struggling due to Supply Chain disruptions, the health crisis, and a hostile global environment impacts badly the Indian economy. A contraction under the effect of COVID-19, leads to slow down into our economy. After two weeks of the World Health Organisation (WHO) declaring this disease as a pandemic India imposed a strict lockdown. The combination of demand compression and supply disruption deeply effects the economy in First Quarter (2020-21). Also, our economy is struggling due to a cyclic slowdown of our Indian Economy from 2017-18 Financial year.

As per the above data in Chapter 3 (Under Macro Economic Indicators) India's Real GDP growth from 2017-18 is not growing as compared to previous year growth. This declining growth can be overcome only through the development of Merchandise Trade i.e. development of Exports.

India's Current top Exports items consist of the items which we are importing from the other countries. i.e. Petroleum Products, Transport and Machinery Equipment and Precious stones and Metals. It interprets that our domestic items are not exporting. Only the Process Imports items are India's main exports. India's Current Domestic sector is facing a crisis. It is due to several reasons i.e. Indian Products are not in demand in foreign markets due to quality issues and standardisation. Although the government is encouraging the finance availability to Micro, Small and Medium enterprise but due to lack of skill, Traditional methods reduce India's efficiency to produce a volume at the global level.

Even, India have to imports the dairy products from Demark and other countries due to improper technique and less volume production. But under the Initiative of Self-reliant India Amul (the Largest Milk Producer in India) Claims that India will not only fulfil the Internal demand but it will also starts exporting the milk to its neighbouring countries like Bhutan and Afghanistan The government has realised that dairy is one area where India can become a specialist and it has announced various schemes in the past to develop this sector. The government announced Rs 15,000 crore for India's dairy sector. The amount of "Rs 15,000 'pashudhan' will help to increase milk production and export and will also generate employment for large no. of employees.

4.1.1 Review of Current Foreign Trade Policy of India

According to the [FTP 2015-2020](#) India' objective is to increase its global exports from 2% in 2015 to 3.5% by 2020. It can achieve by providing a stable and sustainable policy environment for foreign trade in merchandise and services, link rules, procedures and incentives for exports and imports with other central government schemes, such as "Make in India" i.e. promote diversification of Indian exports improve integration with major regions of the world and provide a mechanism for regular appraisal to rationalize imports and reduce the trade imbalance.

To find a balance between the needs of the growing economy and the promotion of domestic industry, a mechanism was put in place by the Department of Commerce for quarterly appraisal of imports.

To achieve these export targets, India uses incentives such as the Merchandise Export from India Scheme (MEIS), the Services Export from India Scheme (SEIS), and credit facilitation to encourage exports. The objectives of the MEIS and the SEIS under the FTP is to offset infrastructural inefficiencies and associated costs of exporters. The latest amendment to the FTP in 2017 incorporated changes resulting from India's ratification of the WTO Agreement on Trade Facilitation (TFA), including a reduction in the number of documents required for export and import, the single window interface for facilitating trade (SWIFT), and the establishment of the National Committee on Trade Facilitation.

The Current policy seeks to integrate the government's Make in India and Digital India initiatives. "Make in India" initiative is not only focusing on manufacturing for the domestic market but also to make world-class products and services for the whole globe. Therefore, improvements towards free trade are important.

It is very important for us that developed countries open their markets, for the goods from countries like India

Implementation of India's major schemes—the Smart City Project, make in India, Skill India Program, and Digital India—will require foreign direct investment and a comprehensive rebooting of India's manufacturing sector. In 2015, India attracted more foreign direct investment (FDI) than China and the United States, tripling greenfield FDI, which reached an estimated \$63 billion. Indeed, India became the leading country in the world for greenfield FDI, overtaking the United States (\$59.6 billion) and China (\$56.6 billion).

The Make in India initiative under the protectionism leads to technological developments, such as automation and 3D printing. As a result, make in India may only affect the Indian market, specifically the defense sector

Overall goal remains to increase exports, since policymaking in India is largely focused on domestic issues, frequent use of trade policy is made to encourage domestic production and meet domestic inflation and supply objectives. Thus, changes are made as required to import and export restrictions and the tariff to ensure stable domestic supplies of key products. Frequent changes in import and export policy create uncertainty for economic actors.

4.1.2 India's Trade Agreement in Foreign trade Policy: To Analyse the Significance and Constraints in Trade agreement of India let first have a look on the India's Trade Agreement (FTA/PTA)

S.No.	Acronym	Grouping	Member Countries		FTA/PTAs (Free Trade Agreement)
			No. of Members	Name of Member Countries	
1.	APTA	Asia Pacific Trade Agreement	6	Bangladesh, China, India, Lao PDR, Republic of Korea, Sri Lanka	PTA (Preferential Trade Agreement)
2.	Indian ASEAN TIG	Indian ASEAN Trade in Goods Agreement	11	Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam and India	Free Trade Agreement
3	GSTP	Global System of Trade Preferences	42	Algeria, Argentina, Bangladesh, Benin, Bolivia, Brazil, Cameroon, Chile, Colombia, Cuba, Republic of Kora, Ecuador, Egypt, Ghana, Guinea, Guyana, India, Indonesia, Iran, Iraq, Libya, Malaysia, Mexico, Morocco, Mozambique, Myanmar, Nicaragua, Nigeria, Pakistan, Peru, Philippines, Republic of Korea,	Preferential Trade Agreement

				Singapore, Thailand, Trinidad and Tobago, Tunisia, Tanzania, Venezuela, Vietnam, Zimbabwe	
4	IBSA	India, Brazil and South Africa Trade agreement	3	India, Brazil and South Africa	Under negotiations
5	SAFTA	South Asia Free Trade Agreement	7	India, Pakistan, Nepal, Sri Lanka, Bangladesh, Bhutan and The Maldives	Free Trade Agreement
6	ISLFTA	Indo Sri Lanka Free Trade Agreement	2	Sri Lanka, India	Free Trade Agreement
7	IMCECA	Indo Malaysia Comprehensive Economic Cooperation Agreement	2	Malaysia, India	Free Trade Agreement
8	ISCECA	India Singapore Comprehensive Economic Partnership Agreement	2	Singapore, India	Free Trade Agreement
9	JICEPA	Japan India Comprehensive Economic Partnerships Agreement	2	Japan, India	Free Trade Agreement
10	IKCEPA	India Korea Comprehensive Economic Partnerships Agreements	2	South Korea, India	Free Trade Agreement

Source: <https://commerce.gov.in/international-trade-trade-agreements-indias-current-engagements-in-rtas/association-of-south-east-asian-nations-asean-and-india-free-trade-agreement-fta-negotiations/>

- **India-Sri Lanka Free Trade Agreement (ISLFTA)**, was signed in 1998 and come in operation in 2000.

- Sri Lanka is India's largest trading partner country in the SAARC region. The bilateral trade between India and Sri Lanka has grown four times in the last nine years increasing from US \$ 658 million in 2000 to US \$ 2719 million in 2009.
- The main Indian exports to Sri Lanka are Petroleum (Crude & Products), Transport Equipment's, Cotton, Yarn Fabrics, Sugar, Drugs Pharmaceuticals & Fine Chemicals.
- The main Sri Lankan exports to India are, spices, electrical Machinery except electronic, Transport Equipment's, Pulp & Waste, Natural Rubber and Paper Board.
- **India-Singapore Comprehensive Economic Cooperation Agreement (CECA) (2005)** between India and Singapore was signed on 29th June, 2005 by the Prime Minister Mr. Manmohan Singh and H.E. Mr. Lee Hsien Loong, Prime Minister of Singapore. It became operational on 1-8-2005.
 - A Free Trade Agreement, which would include, inter-alia, trade in goods and services and investment.
 - A bilateral agreement on investment promotion, protection and cooperation
 - An improved Double Taxation Avoidance Agreement
 - A more liberal Air Services Agreement and Open Skies for Charter Flights
 - A work programme of cooperation in a number of areas including health care, education, media, tourism and the creation.
- **Generalised System of Preferences (1988)**
 - The Agreement establishing the Global System of Trade Preferences (GSTP) signed by Developing countries on 13th April, 1988 at Belgrade after the discussion on the First Round
 - It lays down rules, principles and procedures for conduct of negotiations and for implementation of the results of the negotiations. This system of preferences covers Tariff arrangement in tariffs, para-tariff, non-tariff measures and direct trade measures including medium and long-term contracts.
- **Asia-Pacific Free Trade Agreement (2014)**
 - Asia Pacific Trade Agreement (earlier known as Bangkok Agreement) is an initiative under the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) for trade expansion through exchange of tariff concessions among developing country members of the Asia Pacific Region.
 - Negotiations on tariff concessions on goods, Trade Facilitation, Trade in Services and on Investments

- Negotiations have concluded on the framework agreements on trade facilitation, investments and services. All the three agreements have since been signed and ratified by the Participating States

4.1.3 Discussion on FTA

Regional trade agreements (RTAs) have become increasingly prevalent since the early 1990s. The first eleven years (1995-2005) of the WTO the no. of RTAs increased from 58 to 188. Today around 782 RTAs are in force over the whole world. 14 RTAs are in force in India with a dozen more under negotiation. According to Economic Survey 2016-17, FTAs have had a bigger impact on metals on the importing side and

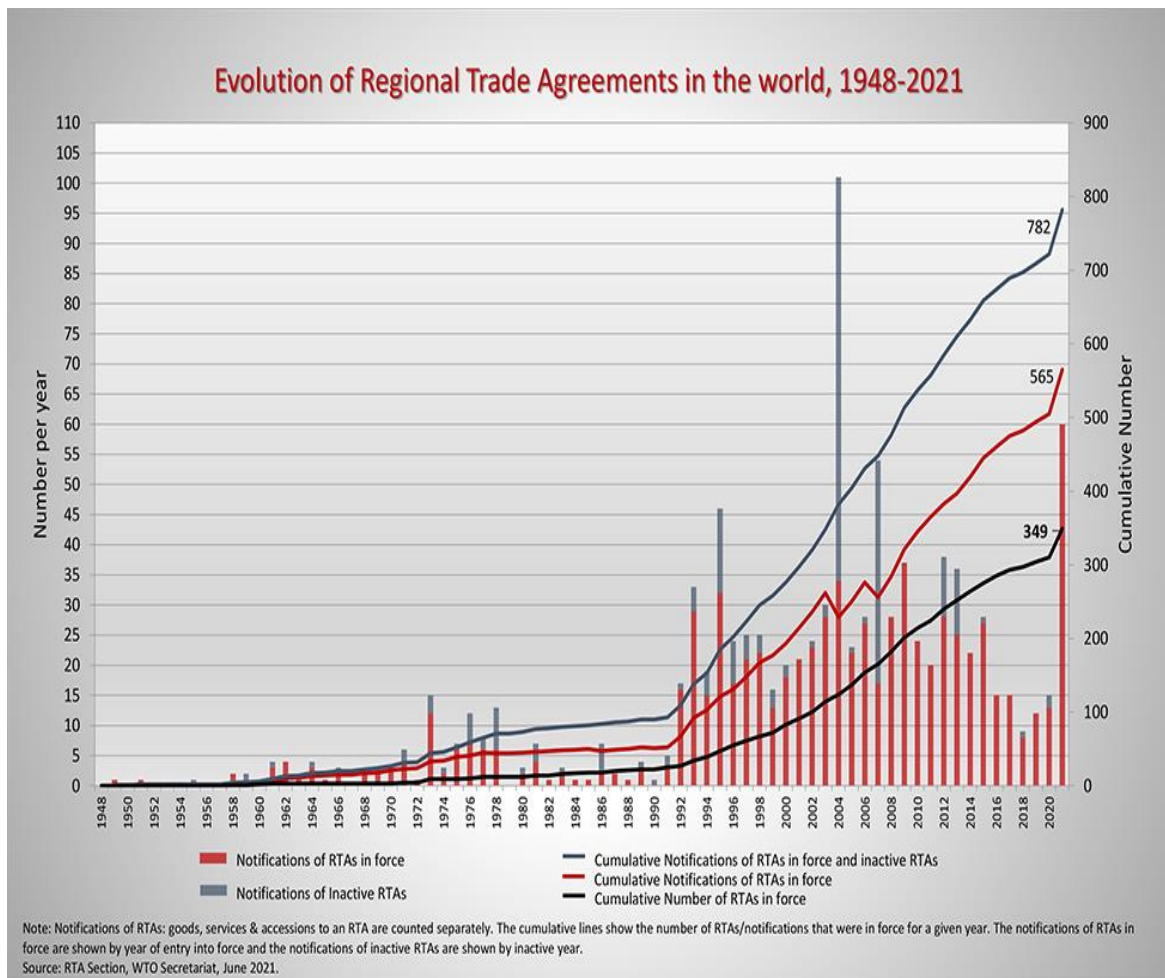


Figure No. 9 Evolution of Regional Trade Agreement of India in world 1948-2018

Source: https://www.wto.org/images/img_tratop/evolution_of_rtas_1948_2018.png

Regional Trade Agreements are not only covered tariff cuts in trade of goods but also includes various other elements like liberalization in services, investment etc. In 2005, this regional

initiative between developing economies was re-initiated as Asia Pacific Trade Agreement (APTA).

In the past decade India's trade policy makers focused on regionalism. Overlapping RTAs with a No. of countries is the result of their proliferation. For Instance, India's RTA with Malaysia and Singapore are separately in force while these both countries are member of India ASEAN FTA. Also, Sri Lanka an Old Trade partner of India can work under four RTAs for trading. The multiple No. of RTA's can lead to inconsistencies.

- **Key Development and Constraints in FTA**

- ✓ India's exports to FTA countries has not outperformed overall export growth or exports to rest of the world
- ✓ FTAs bring growth in imports and also in exports, although the Imports growth is greater than Exports
- ✓ India's trade deficit with ASEAN, Korea and Japan has widened post-FTAs
- ✓ According to Economic Survey 2016-17, FTAs have shown impact on importing metals and textiles on the exporting side.
- ✓ A 10% percent reduction in FTA tariffs for metals increases imports by 1.4 %
- ✓ India's exports are much more responsive to income changes as compared to price changes and thus a tariff reduction/elimination does not boost exports significantly

- **Utilisation rate of RTAs by exporters in India is very low (between 5 and 25%)**

By analysed the growth rate of India's exports to countries and trade blocs with whom India has a trade agreement and also with rest of the world with which India does not have a trade agreement. Since 2006, India's exports to Regional trade agreement countries has shown a growth of 13%. Also, the trade with Non- FTA countries was work same. Exports increasing Rate is same (chart below). It means that export to RTA countries has not well performed/ Overall India's Export growth with RTA's and Non-RTA's partners runs parallelly. Thus, India's export increasing can relate with diversification of India's export basket in terms of destination, commodities and favourable global conditions and has less impact of RTAs. As data on actual trade flows through the preferential route is not available, we cannot implement same data into preferential (FTA route).

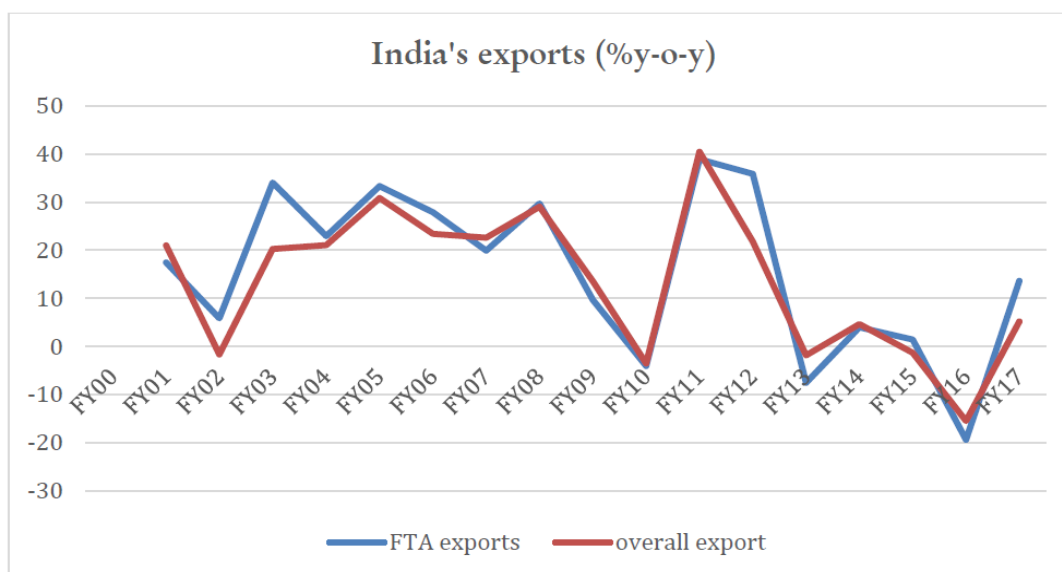


Figure 10: Indian Exports (% Year by Year)

Source: https://niti.gov.in/writereaddata/files/document_publication/FTA-NITI-FINAL.pdf

4.1.3.1 Assessment of FTA with ASEAN, Korea, Sri Lanka and Japan

India has signed FTA, with ASEAN, Korea, Sri Lanka and Japan. The features of these agreements are discussed below:

- (a) Bilateral trade increased increase post signing of all the above FTAs
- (b) Imports from these FTA partners into India increased more than India's exports to partner countries post signing of FTAs
- (c) Imports from Korea, Japan and ASEAN have risen after these agreements. India's trade deficit with these countries has increased which is shown below in the figure No.11. Sri Lanka is the only trade partner where exports have shown more growth as compared to imports.
- (d) Overall trade deficit with ASEAN, Korea and Japan doubled to USD 24bn in FY17 from USD 15bn in FY'11(signing of the respective FTAs) and USD 5bn in FY'06. Today Trade deficit with Korea grew has risen to 8bn USD. With Japan, deficit grew from USD 3bn in FY10 to USD 6bn currently and with ASEAN deficit doubled to USD 10bn from USD 75bn in FY11.

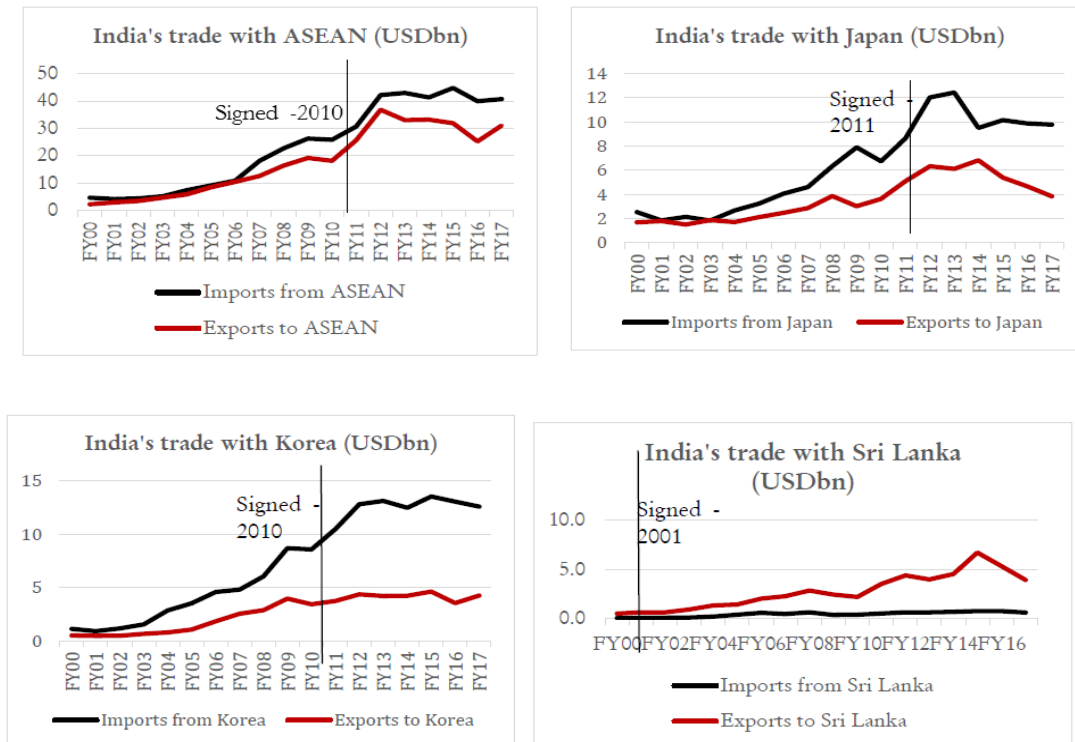


Figure No. 11 India's trade with ASEAN, Japan, Korea, Sri Lanka before and After FTA

Source: https://niti.gov.in/writereaddata/files/document_publication/FTA-NITI-FINAL.pdf

- ASEAN FTA leads to greater reduction in tariffs. A Large margin of preference offered by India under the FTAs increase the share of imports as compared to exports. As per Economic Survey FY'16, average effect of an FTA is to increase overall trade by about 50 percent over roughly four years. The survey also finds out that bigger impact on metals on the importing side and textiles on the exporting side. It analyses FTA tariff reduction in four major sectors: textiles, metals, automobiles and machinery. On the import side, a ten percent reduction in FTA tariffs for metals and machinery increases imports by 1.4 per cent and 2.1 per cent respectively, compared to other products from FTA or all products from Non-FTA countries.
- Analysis shows that trade balance has worsened (i.e. Increased in Trade deficit) for 13 sectors. It Includes sectors like - chemicals and allied, plastics and rubber, minerals, leather, textiles, gems and jewellery, metals, vehicles, medical instruments and miscellaneous manufactured items. Sectors where trade balance has improved include

animal products, animal and vegetable fat, wood and articles, paper and paperboard, cement and ceramic, arms and ammunitions.

- Sectors where trade deficit has worsened account for approximately 75% of India's exports to ASEAN. Trade surplus sectors only a small growth. Overall, it can be concluded that India's quality of trade has not improved under AIFTA.

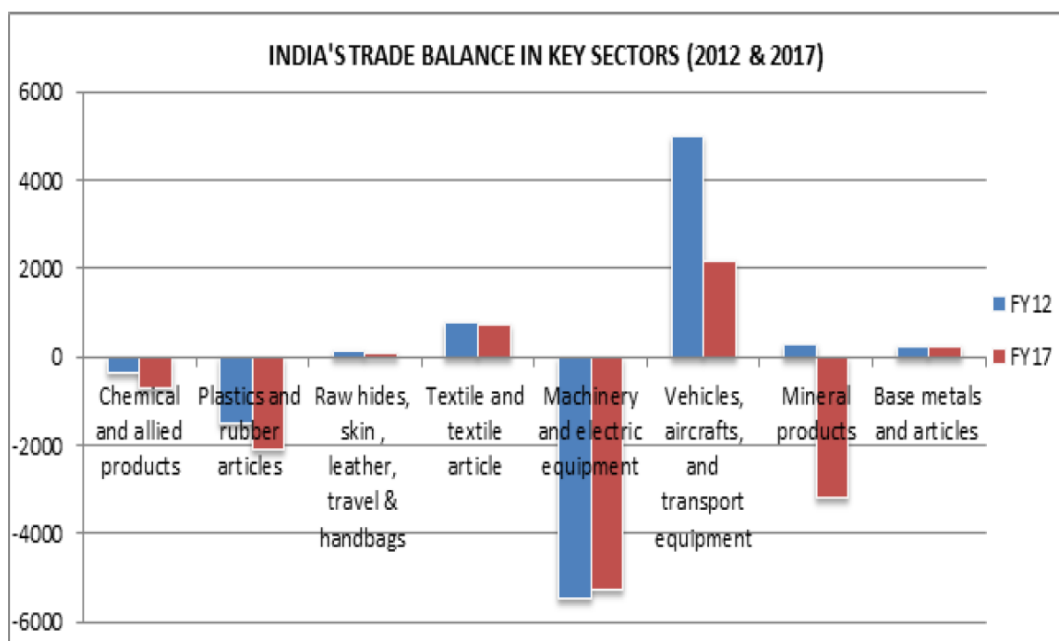


Figure No. 12 India's Trade Balance in Key sectors

4.1.3.2 India and RCEP

Regional comprehensive Partnership Agreement (RCEP) is a proposed free trade agreement (FTA) between 10 ASEAN countries and their six Asian Countries which are: Australia, China, India, Japan, Korea and New Zealand. It accounts for 25% of global GDP, 30% of global trade, 26% of FDI flows and 45% of the total population. From India's point of view RCEP is critical. 27% of India's total trade accounts with RCEP Countries. Exports to RCEP account for about 15% of India's total exports and imports from RCEP comprise 35% of India's total imports. India is facing trade deficit with ASEAN and also with other RCEP Partners. India's trade deficit with these giant partners has risen to \$83 billion in FY17. Out of this 60% of trade deficit is with China alone. Already FTAs with ASEAN, Korea and Japan are in force and negotiations are going with Australia and New Zealand. There is also tremendous pressure on India to

complete negotiations on time and offer tariff eliminations on majority of the tariff lines (more than what was negotiated under AIFTA). RCEP Countries seen India as a huge potential market for the exports of products.

There were a number of economic and geopolitical reasons which pushed India to stay out of this trade pact, including Current trade deficits with majority of RCEP member countries, fails in negotiations on demands put forth by India to the RCEP Members and a Sino-centric effect.

Although Indian exports gain competitiveness on the global scale in last two decades, but past FTAs rise in imports in comparison to exports. Trade agreements are negotiated to provide mutual economic benefits to the involved parties. In the case of India, FTAs resulted unfavourable gains to other partners, which has worsened India's trade balance. Indian exports have become more competitive on the global scale in the past two decades, but FTAs have ensured a higher rise in imports in comparison to exports. Currently 14 Regional Trade Agreements (RTAs) in force and a dozen more under negotiation. India's total exports under FTA countries have not outperformed total exports to rest of the world. More specifically, FTAs with ASEAN, South Korea and Japan in the past all rise to trade deficit. In the fiscal year 2019, India's trade deficit increases with 11 RCEP member countries which implies that trade pacts are not only getting access to markets in other countries but also giving market access to the trade partners. Given India's poor performance in FTAs and inability to negotiate a balanced trade deal in the past, Indian policymakers doesn't want worsening effect of RCEP.

- **What's India want under negotiation?**

- ✓ During negotiations Taking into account the prevailing trade deficits with a majority of the RCEP member countries and a poor performance by the domestic manufacturing sector, India proposed a three-tier approach for tariff reduction to the member countries. With ASEAN, India wants to reduce tariffs at 80 percent of tariff lines. For countries which are already have an FTA India proposed a relief of 65 percent of tariff and for countries like China, Australia and New Zealand, a relief of 42.5 percent of tariff lines was proposed. But, RCEP member countries required a greater reduction in tariff lines aiming at 90% and this Indian proposal was neglected by the member countries. To protect the domestic industries from a continuous surge in cheaper imports, India proposed an inclusion of auto-trigger and snapback measures. In the event of imports crossing a threshold limit, measures would be come in force automatically towards the particular trade partner country.

It aimed at China for manufacturing imports, but was also applicable to Australia and New Zealand for their dairy products, and ASEAN for plantation products.

- **Result in RCEP (India-Out)**

- ✓ China's ambitious plan to become the next economic superpower was visible as it putting pressure on member countries to conclude the RCEP at the earliest. India's half of total trade deficit, is with China. As a result, India, without first solving the outstanding domestic concerns and enhancing infrastructure facilities, did not want China to invade the domestic markets. China's success will put worse impact on India's existing trade deficit. Provisions related to trade in services, where India has a comparative advantage is opposed by its manufacturing sector. Pressure from steel and agricultural sectors forces the Indian government to pull out from RCEP.

4.2 Bottlenecks in Indian Trade Policy

- The greatest challenge to the development of a strong trade policy in India is its poorly developed manufacturing sector. Although it grew after liberalization in 1991, But the share of manufacturing sector in gross domestic product (GDP) has since fallen to 16.2 percent in 2015–2016.
- The question of how to Sustain and grow share of manufacturing? The Main Constraints include the limited availability of power and land, lack of access to technology, low productivity, the increasing labor cost, and difficulties arises to doing business. Progress has been made, but it has been insufficient. By far the most serious impediment to the revival of the manufacturing sector is the scarcity of land.
- In the past times, India signed FTAs with the Association of Southeast Asian Nations (ASEAN), the Republic of Korea, Japan, and Malaysia. However, some insiders admit that India's trade partners have gained more from these agreements than India's experience with regional trade agreements has not reached to satisfactory position because of loss of competitiveness in its manufacturing sector and the lack of innovation and investment in sectors such as textiles, garments, and pharmaceuticals.
- Beyond this challenges and doubts, joining RTAs will bring benefits for India. Perhaps most importantly, it would make the country's goods and services more competitive, because it would force India industry to adjust to international standards in technical barriers to trade and sanitary and phytosanitary restrictions—an invaluable asset in the long run.

- The real bottleneck in India, is the lack of understanding of the benefits of trade liberalization, Improper policy framework, and lack of political will to do something for public. Drafting a successful trade policy requires a deep understanding of geopolitics and global economic trends and the good ability to get advantage through effective negotiations. It is only possible if policymakers can execute the essential domestic reforms—some of which require painful adjustments.
- Over the years, India has paid insufficient attention to the value of trade policy. In 1996, for example, it was clear that the end of quotas under the Multi-Fiber Arrangement in 2005 will benefit the countries exporting the elements and that the modernization of India’s domestic industry was necessary. If timely action been taken, India’s share of global trade in textiles and clothing would have become much larger. Instead, Bangladesh, China, and Vietnam were the big beneficiaries of the end of the quota regime. Between 2000 and 2014, China’s share of global exports rose from 10 percent to 36 percent in textiles and from 18 percent to 39 percent in garments. India cannot serve its economic interests by remaining indifferent to or totally resisting global trade policy developments and the mega-trading blocs that may develop.
- Thus, the key challenge for Indian trade policy is how to revive the moribund, multilateral trading system anchored in the WTO. For this change, India’s trade policy needs to be bold. It should develop with the deep negotiations among trading countries. Proposals will deal with thorny issues of agriculture, and some Mutual agreements like Information Technology Agreement, government procurement, and dispute Settlement.
- India’s interest is in most-favoured-nation (MFN) trade and the security and predictability associated with the multilateral trading system anchored in the WTO. Ensuring both requires that India not be viewed as a spoiler, as it currently is, in Geneva.

4.3 The Atmanirbhar Bharat Abhiyan programme (Initiated Under current trade policy)

On May 12, Indian Government came up with Rs 20 lakh crore (which is equivalent to 10% of India’s GDP) with the agenda of making the country independent against the tough competition in the global supply chain and to help in empowering the poor, labourers, migrants who have been adversely affected by COVID. Under this initiative Government Reforms the various policies to support Indian Economy with the self-reliance in manufacturing.

- **Policy Reforms to Support**

- **Increase in borrowing limits:** The borrowing limits of state governments will be increased from 3% to 5% of their State Gross State Product for the year 2020-21. It is estimated that around Rs.4.28 lakh crore will spend in extra resources but it will be increase state GDP to 3.5% of GSDP.
- **Privatisation of Public Sector Enterprise:** A new PSE policy has been announced to Private PSEs, except certain strategic sectors which will be notified by the government. In strategic sectors, at least one PSE will remain under government control, also the private sector will be welcomed to invest. It aims to minimise administrative costs by limiting number of Public sector enterprises in strategic sectors i.e. only one to four others will be privatised/ merged/ brought under holding companies.
- **Management of Airspace:** Restrictions on utilisation of the Indian Air Space will be relaxed to increase the efficiency of civilian flying sector. By optimal utilisation of airspace, reduction in fuel use, and time will save Rs. 1,000 crore per year for the aviation sector.
- **Public Private Partnership for developing of airports:** Global standards airports will be built through PPP model. In the first round, the Airport Authority of India (AAI) has awarded three airports (Ahmedabad, Lucknow and Mangalore) out of six bids for operation and maintenance on PPP basis. The six other airports have observed for 2nd and 3rd round of bidding process. The private sector investment in these 12 airports is expected to be around Rs 13,000 crore.
- **Defence Reforms:** FDI limit in defence manufacturing under automatic route will be increased from 49% to 74%. Make in India initiative will be implemented in the defence sector to independent the countries in terms of production. Government is also planning to improve administrative aspects by corporatisation of Ordnance Factory Board in accountability, autonomy and efficiency
- **Coal evacuation:** Rs 50,000 crore will be spent on infrastructure development for evacuation of coal. Out of this Rs. 18,000 crores will invest to transfer of coal through conveyor belts from mines to railway tracks.
- **Commercial coal mining:** After the Amendment of Mineral Laws Bill, this sector opens for the commercial mining of coal. Entry norms will also be liberalised and arounds 50 blocks will be offered by the auction on the immediate basis.
- **Technology driven education for the industries:** PM e Vidya will be launched for multi-mode access to digital/online education. Under this facilities will be provided to

support school education in states/UTs under the DIKSHA scheme (one nation, one digital platform).

- **Support to MSME Sectors**

- **Collateral free loans for businesses:** For all businesses (including MSMEs) loans will be provided with any security arrangements up to three lakh crore rupees. MSMEs can borrow up to 20% of their entire outstanding credit from banks and Non-Banking Financial Companies (NBFCs). Borrowers who have Rs. 25 crores outstanding and Rs 100 crore turnover will be eligible for such loans and can avail the scheme till October 31, 2020. Interest on the loan will be capped and 100% credit guarantee on principal and interest will be given to banks and NBFCs.
- **Corpus for MSMEs:** A funds with a corpus of Rs 10,000 crore will be set up for MSMEs. This will provide equity funding for MSMEs with growth potential and viability. Around Rs. 50,000 crores are expected to be leveraged through this fund structure.
- **Subordinate debt for MSMEs:** It aims to support MSMEs facing Non-Performing Assets (NPAs). Under the scheme, promoters of MSMEs will be given debt from banks, which will be infused into the MSMEs as equity. The government will facilitate Rs 20,000 crore of subordinate debt to MSMEs. For this purpose, it will provide Rs 4,000 crore to the Credit Guarantee Fund Trust for Micro and Small Enterprises, which will act as a credit guarantee support for banks.
- **Restrict global tenders:** To protect Indian MSMEs from foreign companies, global tenders of up to Rs 200 crore will not be allowed in government procurement tenders.
- **Reduction in Taxes rate:** Tax Deduction (TDS) for the non-salaried specified payments made to residents and Tax Collected at Source (TCS) will be reduced by 25% from the existing rates. It is estimated to provide liquidity of Rs 50,000 crore.

- **Support extends to Agricultural Sector**

- **Concessional Credit Boost to farmers:** Farmers will be provided institutional credit facilities at concessional rates through Kisan Credit Cards. This scheme will cover 2.5 crore farmers with concessional credit worth two lakh crore rupees.
- **Agri Infrastructure Fund:** A fund of one lakh crore rupees will be created for development of agriculture infrastructure projects at farm-gate and aggregation points

(such as cooperative societies and Farmer Producer Organizations). Farm gate refers to the market where buyers can buy products directly from the farmers.

- **Emergency working capital for farmers:** An additional fund of Rs 30,000 crore will be released as emergency working capital for farmers. Funds will be provided through NABARD to Rural Cooperative Banks (RCBs) and Regional Rural Banks (RRBs) for meeting the loans requirements for crops. It is expected to benefit three crore small and marginal farmers. It will also provide financial support of Rs 90,000 crore.
- **Support to fishermen:** The Pradhan Mantri Matsya Sampada Yojana (PMMSY) will be launched for integrated, sustainable, and inclusive development of marine and inland fisheries. This scheme will provide Rs 11,000 crore for Marine activities, Inland fisheries and Aquaculture. Additionally, Rs. 9,000 crores will spent for infrastructure development (such as fishing harbours, cold chain, markets).
- **Animal Husbandry infrastructure development:** An Animal Husbandry Infrastructure Development Fund of Rs 15,000 crore will be set up, with the aim of supporting private investment in dairy processing, value addition, and cattle feed infrastructure. Incentives will also provide for developing plants which will use for export of dairy products.

4.4 Challenges in Indian Logistics Sector

- **Ques: Where's Indian Logistics Stands?**
- **Ans. 'Logistics Less Than Desirable'**
 - **Availability and Responsiveness:** 30% Stockouts, Poor Quality of Life, Disaster Consequences
 - **Quality:** Losses, Damages, Repair Mindset
 - **Time:** Congestion, Inventories, Higher Asset Use but Lower Effectiveness
 - **Reliability:** Coordination, Follow-up Culture
 - **Sustainability:** Various Forms of Public Cost
 - **Cost:** 13-14% of GDP

4.4.1 Global Competitiveness Index (2018,2019)

Position of Indian Logistics Through Various indicators

Particulars	India's Rank	
	2018	2019
Infrastructure	63	70
Market Size	3	3
ICT Adoption	117	120

Business Dynamism	58	69
Innovation Capability	31	35

Table No. 11 Global Competitiveness Index 2018 & 2019

Source: <https://www.weforum.org/reports/the-global-competitiveness-report>

4.4.2 Major Gaps in Indian Logistics

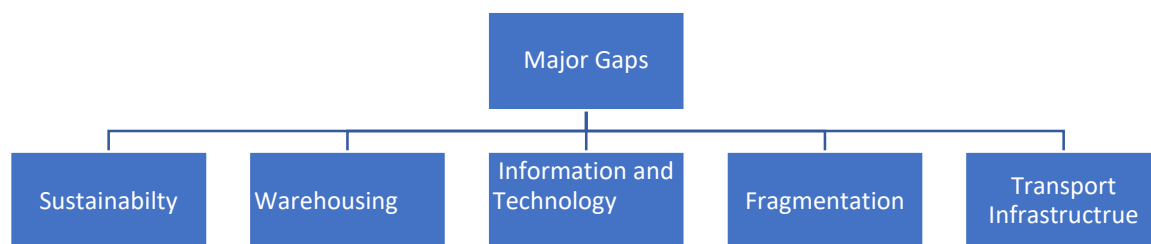


Figure No. 13 Major Gaps in Indian Logistics

Today in our country, the emerging on-line business made the logistics more important. E-Commerce business giants like flip-cart, amazon, big-basket and India-mart etc. are sharing large part of daily business. Either it is a normal product or High- value product logistics is necessary to deliver the product transportation required.

But the logistics management is challenge in India. One important reason is high growth of transportation sector and population spreading area. Due to the growth of all facets related logistics like warehousing, express freight delivery, forwarding, container facility, transporting facility the economic growth of India keeps increasing. The logistics industry employs more than 22.1 million of public and average growth rate of will be 7.8% in last years. The above reasons attract the world’s eye towards Indian logistics sector. For Bringing investment government designed policies for logistics sector. Despite the growth several complexities hold the potential of the market we have significant bottlenecks in poor infrastructure in storage area (Warehousing) inadequate capacities for transportation, difficult tax structure, less technology implementation and inadequate skills of logistics experts.

- **Transportation:**
 - Road transportation is prominent for freight cargo. Almost 1.108 billion tonnes of cargo movement happened in 2019. The road length 5,603,293 km in India as per 2019 report

of world fact book. It is second largest in the world. Although road transport is less efficient than rail, but bottleneck of poor rail network people automatically shift focus towards road transportation. Road transportation facing challenge of narrow roads. Rail transport network travels through breath and length of India. It's network spreads more than 7000 stations whose total route length is 115000 km. In that 34% of length was electrified. Rail mode is facing longer transit time and unscheduled movement of goods. Water way Transport is a major freight movement. More than 96% of foreign trade takes place in India. In that 70% of port operations happened in Mumbai. High turnaround time is a major problem in Indian port. Due, to congestion on births, delay in clearance of cargo in berths (Loading/Unloading time). Inappropriate depth is another problem of Indian ports. Dredging Clearance is always delayed in ports. That lead to with existing dates most of the ports are incapable of attracting very large ships. In India coastal shipping is vulnerable due to insufficient port and infrastructure of land side for freight movement.

- The large no. of challenges faced by the logistic industry leads to increase the logistics expenses putting bad impacts on the Indian economy with the rise of inflation. Cost of labour is one of the significant expenses and is cheaper in India. Transportation expenditures are high due to quality of roads, city traffic and governing delays. India spends 14% of the GDP towards logistics industry. Major origins of logistics expenses normally comprise warehousing, transportation, inventory, management and other important services such as wrapping or packaging. More than 30% of logistics expenses is related to supporting process. It leads to more expenses under various heads. The logistics cost in India almost 4 to 5 times higher than developed countries. But the quality is not up to mark. At the same time the trend of this type of expenditure is keep raising due to fuel price. The increase of logistics expenses not only because of fuel but also the increase of cost of labour near the port. A good inventory software and supply chain will solve all this problem.
- **Skill and Technology Bottlenecks**
 - The logistics segment is not performing good due to slow growth rates of technology implementation and inadequate skilled workforce. In Technology use of Radio Frequency Identification (RFID), vehicle tracing technologies, warehouse controlling system etc. are the current technology used in modernization warehouse. Collaborative work between Information Technology and logistics obligation needs to be fixed.

Computerization which also developing on a good track is still in its midway. This disadvantage needs to be addressed at the earliest.

4.5 Current development to deal with Infrastructure Projects:

India requires \$1 trillion investments to upgrade its current infrastructure for compliance with the global standards but unfavourable market conditions, weak commodity prices, Inability of Indian banks to raise funds, poor raw material linkages and lack of consideration of state governments have make the task more difficult. So, Government releases a “directional framework” developed by NITI Aayog. It focused on five major areas

Although the progress has been made in the roads, railways sectors, the ports sector, the inland waterways. Indian Economy shows that more than \$160 billion of infrastructure projects has stopped down by end of March 2016 for a variety of reasons. Land acquisition always remains an issue. And states sometimes need to coordinate and cooperate better with the central government and the implementing agencies for better overall results which also delayed due to political environment.

Roads sector Over the last two years, the infrastructure sector yielded mixed results. It has been most successful in the roads and highways sector. Reviving pace of highway building from 2 km per day to almost 20 km a day now. A target has been set to building 40 km of roads a day in the current financial year (2021-22). The government has also set awarding 25,000 km of highway contracts and building 16,000 km of highways during 2016-17. Each of these two targets is 2.5 times the rate achieved last year. National Highway Authority of India has set goals on building 50,000 km of roads through investment of \$250 billion over the next five to six years. \$35-billion Bharat Mala, which will connect Gujarat in the West to Mizoram in the North East with a road along the Himalayan foothills, build roads between the Char Dham (four holy Hindu pilgrimages), connect 100 district headquarters and build roads between India's ports and the hinterland. The road building programme under Atal Bihari Vajpayee's NDA I had led to the boom during 2005-2011. The government hopes that current phase of road building will lead to another economic boom that will take India into a higher growth trajectory.

- **Railways reforms:**

- A \$133.5-billion programme has laid down to develop the railways sector over the next five years. The railways have also opened 100 per cent foreign direct investment under

the automatic route. High profile projects, including the \$90-billion Delhi-Mumbai Industrial Corridor, which consists of building routes around 24 industrial regions, five power projects, two logistics hubs, eight smart cities, two airports and two mass rapid transit systems with Japanese support. Another project is the \$15-billion high speed Mumbai-Ahmedabad rail link various ongoing and new metro rail projects in Delhi, Mumbai, Kolkata, Bengaluru, Chennai, Jaipur, Hyderabad and Kochi, dedicated freight routes connecting important industrial centres with other such centres as well as ports, railway electrification and signalling systems and plans to upgrade and redevelop 400 railway stations across India. Companies such as Alstom, GE, Bombardier, Hitachi and Google have won multi-billion contracts for various ongoing projects.

- **A garland of ports**

- Government ambitious \$180 billion SagarMala project to transform and upgrade existing ports and build new ones along India's vast eastern and western coasts as well as build new industrial clusters around these ports is flagship infrastructure project which will change the face of the Indian economy. At present, long distances between ports and industrial clusters and the poor connectivity between them increases the cost of Indian logistics industry. Development of high-speed road and rail networks to connect centres and building of large industrial clusters close to ports, will facilitate The Make in India initiative, however, has possibly run into international headwinds caused by recession, protectionism, and technological developments, such as automation and 3D lower cost manufacturing in India. The port infrastructure across the east and west coast will cost around \$60 billion while the industrial parks, logistics hubs and connectivity infrastructure will cost another \$120 billion.
- Rivers for transport network: A RITES study says the cost of transporting cargo on rivers is less than 1.5 cents per tonne kilometre against 2.1 cents for rail transport and 3.9 cents for carriage on roads. India has 14,500 km of navigable rivers but this potential is largely unutilised as only 1 per cent of India's total cargo is transported on rivers. So, Indian Parliament has passed a bill to enable the government to convert India's rivers into a transport mode covering the whole country. It supports India's overstretched railway and road network, cuts fuel and generate massive employment. Inland water transport is considered more environment-friendly and more cost-effective form of transport than either roads or rail for movement of Bulk Cargo like coal and cement as

well as for over dimensions cargo. The government will spend \$75 billion in next 5-6 years to develop 101 rivers in 24 states for developing infrastructure into inland waterways. This initiative will also provide a new business of transportation for passenger and tourism

- **Financial Support**

- India's banking sector is struggling under non-performing so it is not in a position to raise funds for infrastructure companies. Large infrastructure companies are not in a position to launch large projects In 2015, it received \$63 billion in investments from foreign companies, overtaking China to emerge as the largest recipient of FDI in the world. Thus RBI, eased norms for Indian companies wanting to raise funds abroad.
- Land Acquisition A Roadblock: Large infrastructure projects need large tracts of land. The inability of the government to pass a bill regarding land acquisition bill faces opposition from the other political parties, which causes the holding up several important projects. So, central government has asked the states to amend the laws locally for ease to acquire land for development projects. But progress remains slowdown due to political interests. But the groundwork has been done for an all-round uptick in the infrastructure sector.

Chapter 5: Findings and Conclusion

From the Above Discussion in Literature Review, Area of Study and Analysis of Study we come on some findings and solution to the challenges faced by the Logistics industry and some suggestion for Indian Trade policy.

5.1 Indian Trade Policy and Indian Economy: Trade is the Major aspect to generate a major share of revenue for the country. India Service sector is on the good track but it can't be possible to develop the economy only on basis of Services. As, we seen all the developed countries they first developed their Manufacturing sector and then their service sector. For India, the developing of Manufacturing sector is a big challenge. From FMCG to big Technology equipment we are relying on foreign MNC. Although some of them are manufacturing in India Under the Initiative of Make in India. But that will only generate Income though taxes paid. All the revenue will only transfer to parent companies. So, Indian Trade Policy focused on development of Micro, Small and Medium enterprises to boost the Manufacturing in various aspects. For financial aspects Indian government come-up with various finance schemes which we had discussed earlier under the analysis.

Indian Trade deficit is major setback for our foreign trade policy which is increasing even we had got free access to Foreign market under the different FTA. Due to this trade deficit India Pull Out from the Regional Comprehensive Economic Partnerships. For solving this problem India needs to produce quality products which can Compete with the standards in Foreign markets. Although in some aspects like Pharmaceuticals, diamonds and in transport equipment Indian products are competing with the world markets.

Under Foreign Trade policy and to support manufacturing India needs foreign tech giants to come and manufacture in India. It is the same policy which our Neighbour country China is following from 1980. Although India under their liberalized policy has enabled the foreign entities to manufacture in India. But the Indian facing a constraint i.e. low demand generation in India for the products. For Example: Even after providing the same tax benefits to Tesla we are not able to bring its production in India. Because the electric cars are not in demand in India which become a major bottleneck to bring the foreign entities to India. So, India government needs to generate demand through various incentives. Tax reduction, ease of finance availability with low interest rate will help to generate demand in India. This demand generation will also help to reduce trade deficit by increasing the FDI in India particularly in manufacturing.

5.2 Solution to Challenges of Indian Logistics

Indian Logistics is the backbone of trade and Infrastructure development is the core element to enhance the capability of Indian Logistics and its efficiency. Although India had laid down Many projects like SagarMala project, Dedicated Freight corridor, Delhi-Mumbai Industrial corridor, Samriddhi Corridor but the pace of development is very low. Bottleneck in this development is the funds raising for the projects. Various companies started the project on their own capital but then due to stop of projects by the state government these companies have to face loss. Cancellation of World First Hyperloop Project i.e. developing in Maharashtra had cancelled in 2019 due to inadequate funds.

To resolve this major constraint the Indian Government should raise the separate funds to complete these projects. Even the various institutions like Asian Infrastructure Development Bank, World Bank, New Development Bank are available for provide funds. So, India can take help of these financial institutions to co-up with the problem.

India's North East Region have high potential to grow but due to lack of infrastructure development it is not easy to connect this area with rest of India. The reason for this low Development is the Chinese influence in North East Region. China is considering North East region (Arunachel Pradesh) as the Disputed region and blocks various investment from Financial institutions. India is also finding it difficult to develop the region from its own finance.

To resolve this issue India can take help from USA Institute, Japanese Institute. Even, the Japanese are providing loans on very feasible rates.

5.3 Integration of different Modes of Transportation

Multi-Modal Transportation is increasing day by day. In India only 9 States have coastal connectivity. Other states are operating through inland container depot which is also termed as Dry Port. According to Current Data there are around 21 Dry Ports in India. So, Different modes of transport are necessary to integrate (Road-Rail-Sea). To boost this network India is developing Dedicated freight corridor to improve the movement of container throughout the Northern and Central India.

Although, it will improve the connectivity in Northern India. But North East India is facing this crisis from a century ago. Even this region is not connected with the railway lines. Due to which only limited movement of cargo is possible i.e. only done through trucks. Although we

had developed logistics park in Assam to support Multi-Modal Transportation, but the connectivity is still a bottleneck.

Solution: Connectivity in this region can only be improved by adequate funds and through Boost the infrastructure project in India. A separate Scheme should be launched to support the projects. Also, this region is under the influence of Naxalbari. So, government have to ensure the contractors for their safety by providing them protection during the projects. China, is also providing support to improve the connectivity by development of Bullet train lines which will pass form Tripura and West Bengal through Bangladesh.

5.3.1 India And FTA Approach: India is vast market and every foreign country needs the access to Indian market. Also, India want to enhance its trade in services and merchandise by bring the products into foreign markets. But Earlier discussion shows that India has not gained much from these agreements. So, Indian Policy makers have to change their approach while negotiating the terms of agreement. Analysis should be done before signing the agreement. India has shown this approach in RCEP. But in the end India has to pull out from this agreement. The Major bottleneck while negotiating is India-China Free Trade aspect. India can't provide free access to China due to Cost competitiveness approach of China. So, India have to first solve its concerns while signing the agreement.

India can't grab opportunities if it doesn't indulge in any cooperation or partnerships. Isolation or Pull-Out will again put India in the era of 80's which will limit its prosperity in the Asia Region. Because it will shift the opportunities towards its other neighbourhood (Bangladesh, Vietnam, China, Hong-Kong and Taiwan).

India have to choose a balance approach between protectionism and liberalism so that there will be synchronization between Market Opportunities and Players (Domestic and Foreign). This balance can achievable by developing the Indian Industries (Micro, Small and Medium Enterprises). But these developments require skills for which India have to support its initiative like Skill India. By enhancing the skills of our workforce, we can increase our capabilities in Merchandise trade.

5.4 Another Way of generating Revenue:

5.4.1 India's Defence Export an upper edge: India's Defence exports are increasing day by day. India defence exports has reached to value of 9,116 crore in 2019-20 and Rs. 5,711 Crore in 2020-21. In last seven years, India exports military hardware and systems worth Rs. 35,77

In this aspect our Missile giant (Brahmos) which we are selling to our Neighbouring countries i.e. Myanmar, Singapore. Other countries are also demanding various missiles. India has its own Fighter aircraft i.e. Tejas for which many countries has shown interest to Purchase. India should encourage its domestic players like HAL,DRDO, Reliance industries to invest in Defence sector industries. In Self-reliant India (At-Nirbhar Bharat) initiative this prospect also supports by increasing investment of private players.

As, we all know the Defence is not coming under merchandise trade and it only done under the government support. But, with the increase in defence exports we can decrease our trade deficit and there will be positive flow in Balance of Payments.

5.4.2 India's Space service sector: India Space Sector run by ISRO is also indulge in commercial activities. It's commercial arm Newspace India Limited (NSIL) started its operation in 2019 and generated a revenue of 300 Crore in first year of its launching. This sector is also contributing to generate revenue by launching the satellites for the various countries. ISRO also gained competitive advantage as compared to its competitors European Space Agency, Chinese Space agency.

5.5 Conclusion of the study: From above study it can be concluded that India's trade sector has huge potential to support Indian economy. With the Integration of Indian Foreign policy and logistics sector India can generate the revenue and balance their trade deficit. Trade is the Backbone of the Indian Economy. Today we invest in it, tomorrow it will help to stand in the Global Platform and competing the world.

5.6 Direction for future researcher

Basically, data is available online on official sites for statistics and theory which can help you in your to extent but if you want to want complete knowledge you should article given by various websites, journalist and by professionals as well. Go through various videos which provided by various professional on different websites or on YouTube.

But if you are making research paper, project try in get primary data cause when you collect it becomes a brainstorming activity, which automatically creates interest towards area of study.

5.7 References:

https://www.wto.org/english/tratop_e/tpr_e/tp503_e.htm

<https://rbi.org.in/scripts/AnnualReportPublications.aspx>

<https://content.knightfrank.com/research/2015/documents/en/india-warehousing-market-2020-indian-real-estate-residential-office-7280.pdf>

<http://www.assochem.org/downloads/?filename=1447692211.pdf>

<https://nldsl.in/>

<https://lpi.worldbank.org/>

<https://www.weforum.org/reports/>

https://docs.google.com/spreadsheets/d/1FiSMgNGO4V8xP09VPbYRqvZWwMnjmcWfe_KksEpyE4Y/edit#gid=0

<https://www.entrepreneur.com/article/292904>

5.7.1 Books and Journals

The India Way- S. Jaishankar (External Foreign Minister)

R. K. Jain's Foreign Trade Policy & Handbook of Procedures Vol - I (FTP) by Centex Publication [Edition. 2021-22]