

**A STUDY ON TRENDS IN INDIA'S INTERNATIONAL TRADE
FROM 2020-2021**

*submitted to the School of Maritime Management,
Indian Maritime University, in partial fulfilment of the requirements
for the award of degree of*

Master of Business Administration

in

International Transportation and Logistics Management

by

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KOCHI CAMPUS

CERTIFICATE

This is to certify that the MBA Project Report entitled “**A study on Trends In India’s International Trade from 2020-2021**” done by **Ms. Soumya B** and is submitted in fourth semester of **MBA International Transportation and Logistics Management**. It is also certified that the above work has not previously formed the basis for the award of any degree, diploma association ship, fellowship or other similar titles, and it is an independent work done by the candidate.

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DECLARATION

I, **Soumya B**, declare that this project report titled “**A study on Trends In India’s International Trade from 2020-2021**”, is submitted to Indian Maritime University, Cochin in partial fulfilment of the requirement for the award of **Master of Business Administration in International Transportation and Logistics Management** during the academic year 2020-2022.

All the information in this document has been obtained to use only for academic purpose and is presented in accordance with academic rule and conduct under the guidance of **Dr. SREEJITH U**.

I also declare that this report has not been submitted in full or part thereof, to any other university or institution for the award of any degree or diploma.

Place : KOCHI

SOUMYA B

Date :

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ABSTRACT

Title of Dissertation: A STUDY ON TRENDS IN INDIA'S INTERNATIONAL TRADE
FROM 2020- 2021

Degree: MASTER OF BUSINESS ADMINISTRATION, INTERNATIONAL
TRANSPORTATION AND LOGISTICS MANAGEMENT

Indian economy has been experienced globalization in the sense that it is highly integrating with world economy. India's foreign trade plays a significant role in the economic development process.

Exports are incredibly important to modern economies because they offer people and firms many more market for their goods. One of the core functions of diplomacy and foreign policy between governments is to foster economic trade, encouraging exports and imports for the benefit of all trading parties.

Therefore, in this study aims to analyze the performances of export and import of India. Few analyses are conducted to get more insights about these performances of export and import of India.

Keywords: Export and Import, International Trade, Economic growth

CHAPTER – 1

INTRODUCTION

1.1 Background

International trade is the exchange of capital, goods, services across international borders. Among the items commonly traded are consumer goods, such as television sets and clothing; capital goods, such as machinery; and raw materials and food. Other transactions involve services, such as travel services and payments for foreign patents. International trade transactions are facilitated by international financial payments, in which the private banking system and the central banks of the trading nations play important roles.

International trade and the accompanying financial transactions are generally conducted for the purpose of providing a nation with commodities it lacks in exchange for those that it produces in abundance; such transactions, functioning with other economic policies, tend to improve a nation's standard of living. Much of the modern history of international relations concerns efforts to promote freer trade between nations. This article provides a historical overview of the structure of international trade and of the leading institutions that were developed to promote such trade.

An import in the receiving country is an export from the sending country. Importation and exportation are the defining financial transaction of international trade.

In international trade, the importation and exportation of goods are limited by import quotas and mandates from the customs authority. The importing and exporting jurisdictions may impose a tariff (tax) on the goods. In addition, the importation and exportation of goods are subject to trade agreements between the importing and exporting jurisdictions.

A country has demand for an import when the price of the good (or service) on the world market is less than the price on the domestic market.

The balance of trade is the difference between the value of all the goods (and services) a country exports and the value of the goods the country imports. A trade deficit occurs when imports

are larger than exports. Imports are impacted principally by a country's income and its productive resources. For example, the US imports oil from Canada even though the US has oil and Canada uses oil. However, consumerism the US are willing to pay more for the marginal barrel of oil than Canadian consumers are, because there is more oil demanded in the US than there is oil produced.

1.1.1 Historical Overview

International trade has a rich history starting with barter system being replaced by Mercantilism in the 16th and 17th Centuries. The 18th Century saw the shift towards liberalism. It was in this period that Adam Smith, the father of Economics wrote the famous book 'The Wealth of Nations' in 1776 where in he defined the importance of specialization in production and brought International trade under the said scope. David Ricardo developed the Comparative advantage principle, which stands true even today.

All these economic thoughts and principles have influenced the international trade policies of each country. Though in the last few centuries, countries have entered into several pacts to move towards free trade where the countries do not impose tariffs in terms of import duties and allow trading of goods and services to go on freely.

The 19th century beginning saw the move towards professionalism, which petered down by end of the century. Around 1913, the countries in the west saw extensive move towards economic liberty where in quantitative restrictions were done away with and customs duties were reduced across countries. All currencies were freely convertible into Gold, which was the international monetary currency of exchange. Establishing business anywhere and finding employment was easy and one can say that trade was really free between countries around this period.

The First World War changed the entire course of the world trade and countries built walls around themselves with wartime controls. Post-world war, as many as five years went into dismantling of the wartime measures and getting back trade to normalcy. But then the economic recession in 1920 changed the balance of world trade again and many countries saw change of fortunes due to fluctuation of their currencies and depreciation creating economic pressures on

various Governments to adopt protective mechanisms by adopting to raise customs duties and tariffs.

The need to reduce the pressures of economic conditions and ease international trade between countries gave rise to the World Economic Conference in May 1927 organized by League of Nations where in the most important industrial countries participated and led to drawing up of Multilateral Trade Agreement. This was later followed with General Agreement of Tariffs and Trade (GATT) in 1947.

However once again depression struck in 1930s disrupting the economies in all countries leading to rise in import duties to be able to maintain favourable balance of payments and import quotas or quantity restrictions including import prohibitions and licensing.

Slowly the countries began to grow familiar to the fact that the old school of thoughts were no longer going to be practical and that they had to keep reviewing their international trade policies on continuous basis and these interns lead to all countries agreeing to be guided by the international organizations and trade agreements in terms of international trade.

Today the understanding of international trade and the factors influencing global trade is much better understood. The context of global markets has been guided by the understanding and theories developed by economists based on Natural resources available with various countries which give them the comparative advantage, Economies of Scale of large-scale production, technology in terms of e commerce as well as product life cycle changes in tune with advancement of technology as well as the financial market structures.

History of Exim Policy of India; In the year 1962, the Government of India appointed a special Exim Policy Committee to review the government previous export import policies. The committee was later on approved by the Government of India. Mr. V. P. Singh, the then Commerce Minister and announced the Exim Policy on the 12th of April, 1985. Initially the EXIM Policy was introduced for the period of three years with main objective to boost the export business in India

1.1.2 Significance of Export- Import Procedures and Documentation

One of the most crucial components of a successful international business transaction is the accurate completion of required export documentation and import documentation. Failure to produce such documentation can hinder the dispatch of products by a manufacturer or supplier and can ultimately impede the timely receipt of goods by the customer. In more severe cases, business owners can be subject to fines or incarceration for failing to comply with import or export documentation requirements.

These are the reasons for the significance of EXIM policy

1. To enhance the level of exports.
2. To improve the balance of payment;
3. To improve the balance of trade;
4. To enhance the reverse of foreign exchange;
5. To allow import of technology and equipment's which may help in establishing new industrial enterprises, produce new products and adopt a new process for higher production levels.
6. To ensure the availability of goods for the domestic consumption and to allow exports so that the producers get a fair price;
7. To allow import of certain goods as listed in the Open General License;
8. To allow for hassle free exports and imports;
9. Reducing the interface between the exporters and Director General of Foreign Trade by reducing the number export documents;
10. Establishing Advance Licensing System for imports of goods needed for manufacturing various goods for export;
11. Removal of the provisions to proceed realization;
12. Establishing of Export oriented units and Export Processing Zones specifically for goods meant to be produced for exports only;

13.To accelerate the country's transition to a globally oriented vibrant economy to deriving maximum benefits from expanding global market opportunities;

14.To enhance the technological strength and efficiency of Indian agriculture, industry, and services there by improving their competitive strength while generating new employment opportunities. It encourages the attainment of internationally accepted standards of quality of Indian exports; and

15 To provide consumers with good quality products at reasonable prices through regulated imports of such products.

1.2 Research Objectives

- To analyse the trade performance of India
- To study about India's foreign Trade policy
- To have a deeper knowledge about export and import procedures
- To understand benefits of export and import
- To understand various procedures relating to export and import of good.
- To understand various documents used for export and import

1.2.1 Critical Issues

The import & export industry is one that is only growing. In a world that is increasingly connected, it is becoming easy to purchase products from almost anywhere in the world. Food and big technologies have always been important trade goods. But now anything is available, whether to big corporations or the average person sitting behind a screen. With import & export companies coming up with innovative ways to ship products across borders, customers don't wait weeks for deliveries.

Nonetheless, import & export companies still face heavy financial challenges. Since so much trade is done locally and internationally, so much can go wrong. If trade finance is not managed properly, the import & export industry stands to lose big. And, due to the fact that we are dealing with multiple countries, there is a lot to consider.

The following are some of the critical issues regarding import and export:

- Trouble with financing and loans

One of the most significant challenges facing international import/export companies today is in getting trade finance. The nature of these companies is to do constant and immediate business. They need to get stock on time, and when it gets stuck at customs, they end up with cash deficiencies.

- Execution of money transfers

The execution itself of money transfers can be slow, costly, and can break down.

- Clearance procedures and taxes

Import/export companies face the biggest challenges. They're dealing within the limitations of trade agreements and if procedures are not carefully handled, they can end up in hot water. Tax is a tricky subject, seeing as different tax laws apply to different locations. Ultimately, you end up with masses of documentation, along with associated costs.

- Natural forces

Natural forces, such as climates and natural disasters can break down your system temporarily. Again, you have no control over these forces, and they can be hugely frustrating and damaging.

1.2.2 Key Concepts

- Enterprise Resource Planning

Enterprise resource planning (ERP) is the integrated management of main business processes, often in real time and mediated by software and technology. ERP is usually referred to as a category of business management software—typically a suite of integrated applications—that

an organization can use to collect, store, manage, and interpret data from many business activities.

ERP provides an integrated and continuously updated view of core business processes using common databases maintained by a database management system. ERP systems track business resources—cash, raw materials, production capacity—and the status of business commitments: orders, purchase orders, and payroll.

- **Logistics Information System**

Converting data to information, portraying it in a manner useful for decision making, and interfacing the information with decision-assisting methods are considered to be at the heart of an information system. Logistics information systems are a subset of the firm's total information system, and it is directed to the particular problems of logistics decision making.

- **Just In Time**

The just in time (JIT) inventory method controls the movement of material into a specific location at the required time, i.e. just before the material is needed in the manufacturing process. JIT is a method of inventory control that brings material into the production process, warehouse or to the customer just in time to be used, which reduces the need to store excessive levels of material in the warehouse.

- **Electronic Data Interchange**

Electronic data interchange (EDI) is the concept of businesses electronically communicating information that was traditionally communicated on paper, such as purchase orders and invoices. Technical standards for EDI exist to facilitate parties transacting such instruments without having to make special arrangements.

Many business documents can be exchanged using EDI, but the two most common are purchase orders and invoices. At a minimum, EDI replaces the mail preparation and handling associated with traditional business communication. However, the real power of EDI is that it standardizes the information communicated in business documents, which makes possible a "paperless" exchange.

- **Radio Frequency Identification**

Radio-frequency identification (RFID) uses electromagnetic fields to automatically identify and track tags attached to objects. An RFID tag consists of a tiny radio transponder; a radio receiver and transmitter. When triggered by an electromagnetic interrogation pulse from a nearby RFID reader device, the tag transmits digital data, usually an identifying inventory number, back to the reader. This number can be used to inventory goods.

1.3 Problem Identification

Various challenges are been faced by those who are involved in export import procedures. Realizing the importance of importance of export and import the major concern is to determine how it is affected.

1.4 Scope of the Study

A crucial part of setting up our own export business ideas is the thorough understanding of different products that have a prospective international market with good opportunity. We will need to have a clear idea of the market where we intend to sell your products. Instead of trying out all the market on the go, we can aim at different market at a time and try to find out which products are in great demand and whether there can be any growth in the business with the products we are willing to offer. This will eliminate the chances of incurring losses with wrong selection of products or market. We should make a move towards different markets on priority basis to know the pattern of sales and demands in those areas.

Not only that, we need to have a clear picture of different export laws that applies to that particular region, state and country so that you don't face any legal difficulties while conducting our business. The study also covers about various benefits while handling export import procedures and also, its drawbacks in order to make a keen understanding in future. The study also covers about the various documents that are to be carried during the process.

To carry out import and export business various companies and industries require professionals qualified in their respective fields.

A few types of companies include import export management special export houses, custom clearing houses, merchandisers, ports, dry ports, special economic zones, transportation companies, logistic companies, trading corporation of the state, shipping companies and shipping corporations, marine insurance companies, directorate general of foreign trade, foreign exchange services, financial institutions and banks providing finances to international trade, quality control labs of products. So, through this study we can understand the importance of export import.

CHAPTER- 2

RESEARCH METHODOLOGY

2.1 Bibliographic Scoping

Foreign trade is recognized all over the world as one of the most vital determinants of economic development of a country. It helps to understand the international business. As well as it helps to understand the role of foreign trade policies in the development of foreign trade. Besides, it helps to understand the role of international trade in the economic growth and development of India. This research study becomes important and significant as today's export promotion strategies must reflect the changing trends in India's foreign trade environment. The Government of India introduced a series of reforms to liberalize and globalize the Indian Economy. Reforms of foreign trade and EXIM policies were critical elements in structural reform of India. The EXIM policy regime in India, in regard to liberalization of the foreign sector has witnessed very significant change. Thus, the research will be helpful to academic and other purpose and can serve as a good base for further researches to be taken in future. Its conclusions and suggestions made will act, as vital input to increase international trade competitive ties.

Gautam Murthy (1993) in his Ph.D. thesis submitted to Bombay University on "Trade and export in stability in the Asia Economies with special reference to India", has stated that Indian economy is suffering trade deficit which results into negative balance of payments. He has observed that India's foreign trade is suffering from instability since independence. The export instability has gradually increased in the international trade. He has identified main reason of India's poor performance in exports on the basis of instability of Indian economy. The Indian economy based on agriculture sector, whose production depends upon monsoon. If the monsoon is favourable, the rate of agriculture production is high and vice-versa. This results into instability of Indian economy which affects India's foreign trade performance.

Choudhary, Avinash (1999) in his Ph.D. thesis titled "A Study on Export Financing and Commercial Banks" submitted to University of Mumbai has stated that commercial banks play vital role in export financing. As the RBI has given guidelines to commercial banks from time

to time for export financing, the commercial banks try to fulfil the expectations of the exporters. The EXIM Bank of India provided refinancing facilities to the commercial banks against the short term and medium-term finance extended by the commercial banks face lot of difficulties in order to provide term loans to the exporters. He has studied the role of commercial banks in export financing and identified the difficulties of the commercial banks and the exporters. One of the main conclusions of his study is that the commercial banks play vital role in export financing but they are concentrating on the urban areas and neglecting rural areas where the farmers are expecting more financial assistance from the banks. The major finding of the study is that commercial banks play very important role in export financing but they are lacking in the rural areas.

Nimgaonkar, Girija Arvind (October 2008) in her Ph.D. thesis titled, "Export Led Economic Growth and India". University of Pune has concluded that in the changing environment the role assigned to exports in Indian economy start a change from a mere "foreign exchange earner" to "exports as a Catalyst in the growth process". The comparative analysis of India Vis-a-Via the "Asian tigers" does not provide us an idea about the specific policy instruments that can be used for export led growth. The analysis however definitely gives us an idea about the way these economies maintained the environment for boosting the manufacturing export growth as well as certain macroeconomic variables such as exchange rates. Price level etc, to attain high growth through export growth. India needs to use these insights in ways appropriate to her own circumstance.

Mr. Visraman," FCS, Deputy Director General of Foreign Trade, Hyderabad in his research article published in Chartered Secretary on "WTO and EXIM policy of India". January 2002, has stated that the multifarious WTO agreement arriving from Uruguay Round of negotiation have a direct impact on the Export - Import policy of India. He has further stated that the Government of India will make provision for the import-export transaction according to the WTO requirements. The WTO agreement help to change the provisions already made in the EXIM policy of 113 any country. The changes made in the EXIM policy will definitely improve the rate of import and export of the country. Foreign trade is recognized in the world over as one of the most significant determinants of economic development which requires an increase in the stock of wealth producing resources of a country, if the country is deficit in some of the stock of its investment goods. Gradually, it also has to import consumer goods to satisfy the rising expectations of the people with improvement in their economic conditions.

These imports have to be paid for in foreign exchange available to a country, export proceeds representing the owned funds are the most import and stable sources of foreign exchange.

Jain, M.K. in his article on "Current Trends in Indian Economy" published in chartered Secretary, January 2000, stated that a share of any country in the international trade is an indication of economic development of that country. It is identified that the balance between export and import can be maintained by the country only on the basis of economic conditions.

If the economy is under developed like India, proves that it has potential to increase share in the foreign trade but in actual practice it is not possible. The study on foreign trade indicates that the share of under developed countries in the international trade is always minor and the developed countries enjoy major share in foreign trade. This is because the developed countries are having potential to maintain the rate of export always higher than the rate of import. But the under developed countries cannot maintain high rate of export than the import. The reason is that the economy is developing which needs capital goods, technology and equipment's of high quality for industrial growth. So, the import of these goods and services is always higher than the export of developing country. The share of any country in the international trade is always detected by the economic condition of that country. It is observed that the rate of export is always lower than the import because these countries not economically self-sufficient, they need to import more and export less due to economic constraints.

S. Raju & J. Kurien (2005) " their research paper about "Exports and Economic growth in India - Co-integration Casual and Error-Correction Modelling: A Note" Authors have used data on India's exports and GDP over the 1960-1993, pre liberalization period, researcher have analysed the time series properties of these variable in order to determine the appropriate functional form for testing the ELG hypothesis. Their findings shows that export performance was an important cause of growth but does not, by itself explain how exports could have contributed to economic growth in India, there are several possible explanations. Exports may have contributed to economic growth in India directly by relieving severe import constraints especially in vital capital goods industries. Indirectly, exports may have eased the balance of payments situations and relieved the Indian government of the necessity of pursuing deflationary policies and undertaking difficult structural adjustment programs such as those undertaken by many developing countries in response to the trade shocks of the seventies and eighties. Another possible explanation involves the existence of strong forward and backward linkage in Indian industries. The dynamic spill over effects from the export sector may have

led to an overall increase in productivity. An interesting avenue for further research is to study the export economic growth relationship at the industry level. An industry level study may provide further insights into the factors that link export expansion to economic growth.

Mathur, B.P. (1985) in his research work titled, "Industrial Exports and Developing Countries - India's Search for countervailing power" found that an obvious solution of growth for India is to move into the fields of industrial exports, his area of focus was on:

- Proper segmentation of international market.
- Use of joint venture strategy to enter into the foreign market and
- Creation of 'Institutional Agencies' in the shape of aid and credit corporation and corporation for promoting joint ventures.

In the view of all these, the present thesis intends to examine export import procedures with reference to dhl. In order to determine the future scope of export import procedure this paper is helpful.

2.2 Research Design

The assessment is made based on the export import data of India. This includes:

- India's export to world
- India's import from world
- India's export to USA
- India's import from USA
- India's export to China
- India's import from China
- India's export to UAE
- India's import from UAE

Data Collection Methods

It is necessary to present a suitable methodology for meaningful and systematic analysis of the problem faced and to find out the solutions for the problems identified.

This study is based on the secondary data because of the difficulty in collecting the primary data due to global pandemic.

The secondary data is collected from the literature sources that include already published text available in the public domain. This also include textbooks, newspapers ,magazines ,online published papers and articles.

2.3 Qualitative Study

Qualitative analysis is concerned with the analysis of data that cannot be quantified. This type of data is about the understanding and insights into the properties and attributes of objects (participants). Qualitative analysis can get a deeper understanding of “why” a certain phenomenon occurs. The analysis can be used in conjunction with quantitative analysis or precede it.

Unlike with quantitative analysis that is restricted by certain classification of rules or numbers, qualitative data analysis can be wide ranged and multi-faced. And it is subjective, descriptive, non-statistical and exploratory in nature.

Qualitative research is expressed in words. It is used to understand concepts, thoughts, or experiences. This type of research enables you to gather in-depth insights on topics that are not well understood.

Quantitative research is expressed in numbers and graphs. It is used to test or confirm theories and assumptions. This type of research can be used to establish generalizable facts about a topic.

This thesis helps to understand more deeply why there is a need of EXIM procedures and also, we will get a deeper knowledge about the subject.

2.4 Methodology

The study is based on the secondary data. The information is retrieved from various publications, official reports, research papers, articles, newsletters, websites and so on. The data sources mainly include India's major export destinations, import products, natural resources etc

2.5 Limitations of the study

- Collecting primary data was difficult due to confidentiality concerns.
- Time was a major constraint so a very detailed study was not possible
- The data collection sources were extremely limited.
- Lack of available and/or reliable data
- The data may be old or inaccurate
- The sample used to generate the secondary data may be small Insufficient sample size for statistical measurement
- Issues with sample and selection i.e., difficulty in collecting information.

CHAPTER- 3

CONCEPT ANALYSIS AND DISCUSSION

3.1 Export and Import

Trade policy

- Trade policy is one of the many economic instruments for achieving economic growth.
- The basic twin objectives of the trade policy have been to promote exports and restrict imports to the level of foreign exchange available in the country.
- The inherent problems of the country have been non-availability/acute shortage of crucial inputs like industrial raw materials, supporting relevant technology and required capital goods and these problems can be removed by imports but, continuous imports are neither possible nor desirable.
- The gap between exports and imports is financed through borrowing and foreign aid.
- The basic objective of the trade policy revolves round the instruments and techniques of export promotion and import management

Foreign trade

Foreign trade is recognized as the most significant determinants of economic development of a country, all over the world. For providing, regulating and creating necessary environment for its orderly growth, several Acts have been put in place.

- The foreign trade of India is governed by the Foreign Trade (Development & Regulation) Act, 1992 and the rules and orders issued there under.
- Payments for import and export transactions are governed by Foreign Exchange Management Act,1999.

- Customs Act, 1962 governs the physical movement of goods and services through various modes of transportation.
- To make India a quality producer and exporter of goods and services, apart from projecting such image, an important Act—Exports (Quality control & inspection) Act, 1963 has been in vogue.

Ways to enter export business

In order to enter into export business, certain preliminary steps have to be taken by every business organization. The setting up of an export firm is completed in two stages:

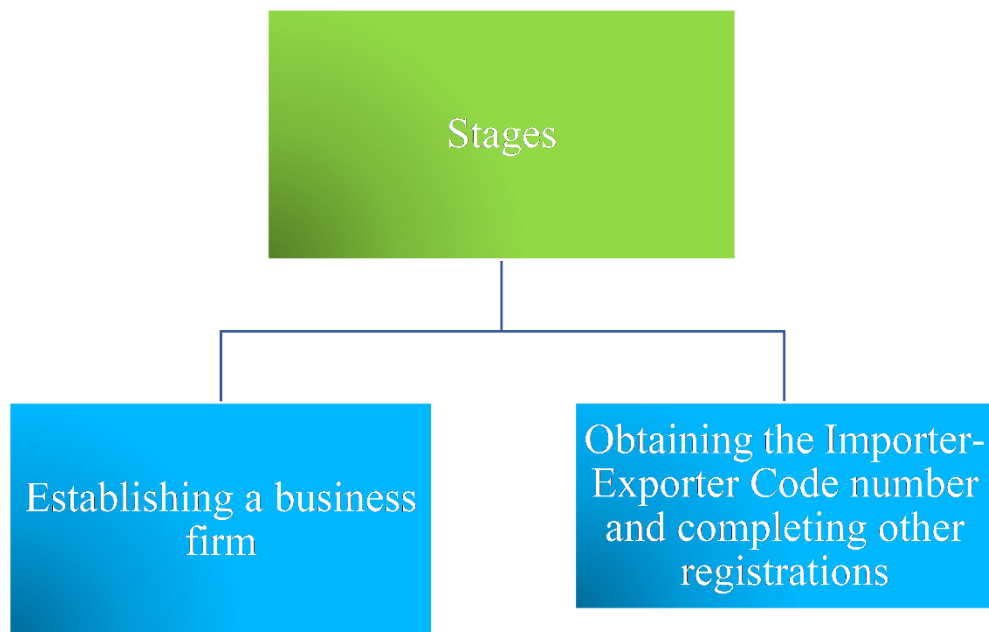


Figure 3.1 Stages for setting up an export firm

Steps involved

1. Selection of Name of Firm
2. Approval to Name of Firm
3. Registration of Organization

4. Opening of Bank Account
5. Obtaining Permanent Account Number
6. Registration with Sales Tax Authorities
7. Importer-Exporter Code number
8. Registration cum Membership Certificate
9. Registration with ECGC
10. Registration under Central Excise Law
11. Registration with other Authorities
12. Registration for Business Identification Number
13. Export Licensing

Aligned Documentation System (Ads)

The standardization of the pre-shipment export documents is done on the basis of the system, popularly known as Aligned Documentation System (ADS).

The primary objective has been to ensure benefits to everyone in the international trade chain from easier documentation.

Advantages of Aligned Documentation System

- Dispenses Conventional Documentation preparation
- Easier to Complete and Access
- Benefit to All Parties
- Better Image

Commercial Documents

The objectives of Commercial documents are:

- To effect physical transfer of goods from the exporter's place to the importer's place.
- To transfer property and title of goods from the exporter to the importer.
- Realization of exports proceeds from the exporter to the importer.

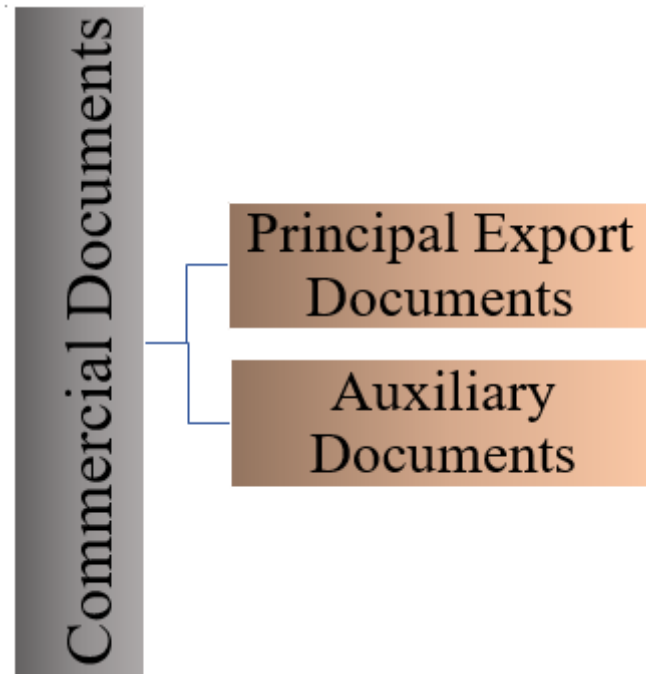


Figure 3.2 Types of Commercial Documents



Figure 3.3 Principal export and Auxiliary documents

Regulatory Documents

Regulatory pre-shipment export documents are those which have been prescribed by different government departments and bodies in the context of export trade. These documents are meant to comply with the various rules and regulations under relevant laws governing export trade such as export inspection, foreign exchange regulations, export trade control

and customs etc. There are 9 regulatory documents associated with the pre-shipment stage of an export transaction. Out of them, only 4 have been standardized. The regulatory documents are as follows:

- Gate Pass-I/Gate Pass II

The Central Excise Authorities prescribe them.

- ARE-1

These are Central Excise forms. Earlier, AR4 and AR5 Forms have been used. In their place, ARE 1 form, now, is used.

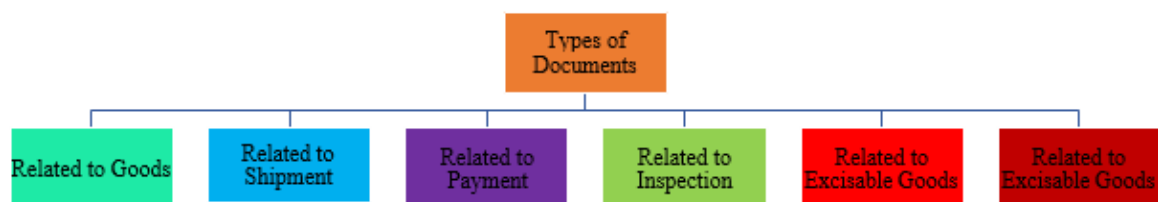
- Shipping Bill/Bill of Export

They are standardized and prescribed by the Central Excise Authorities.

- For export of goods.
- For export of duty-free goods.
- For export of dutiable goods.
- For export of goods under claim for duty drawback.

- Export Application/Dock Challan Standardized and prescribed by the Port Trust Authorities.
- Receipt for Payment of Port Charges Standardized.
- Vehicle Ticket.
- Exchange Control Declaration Forms
- GR/PP forms are standardized and prescribed by RBI.
- Freight Payment Certificate.
- Insurance Premium Payment Certificate

3.1.7 Types of Documents



Documents related to Goods

- Proforma Invoice
- Commercial invoice
- Consular invoice
- Legalized invoice
- Customs invoice
- Packing note and Packing list
- Certificate of Origin

Documents related to Shipment

- Shipping Bill
- Mate's Receipt
- Cart Ticket
- Certificate of Measurement
- Bill of Lading

Documents related to Excisable Goods

- Letter of Credit
- Bill of Exchange
- Trust Receipt

- Bank Certificate of Payment

Documents related to Inspection

- Certificate of Inspection

Documents related to Excisable Goods

- GP Forms
- Form C
- Forms AR4/AR4A

Documents related to foreign exchange regulations-legal regulated documents

- GR Form
- PP Form
- VP/COD Form
- SOFTEX Form

Elements in Export Contracts

1. Names of the Parties
2. Description of the Products

3. Quality
4. Price per unit
5. Total value
6. Currency
7. Tax and Charges
8. Packing
9. Marking and Labelling
10. Mode of Transport
11. Delivery: Place and schedule
12. Insurance
13. Inspection
14. Documentation
15. Mode of Payment
16. Credit period, if any
17. Warranties
18. Passing of risk
19. Passing of property
20. Availability/non-availability of export-import license
21. Force Majeure
22. Settlement of Disputes
23. Proper Law of the Contract
24. Jurisdiction.

Legal Dimensions

There are several legal dimensions in implementation of export contracts which form part of corporate export marketing plan. These legal dimensions or issues can be broadly classified into four categories:

- Those Relating to export-import contracts
- Those Relating to Relationships between exporter and agents/distributors
- Those Relating to Products
- Those Relating to Letters of Credit

Factors Determine Terms of Payment

The following factors are usually taken into consideration, while deciding the terms of payment:

- Exporter's knowledge of the Buyer.
- Buyer's financial ability.
- Degree of security of payment, if advance payment is not considered.
- Speed of Remittance.
- Cost of remittance, which normally depends on speed of remittance.
- Competition faced by the exporter.
- Exchange restrictions in the importer's country.

Methods of Receiving Payment

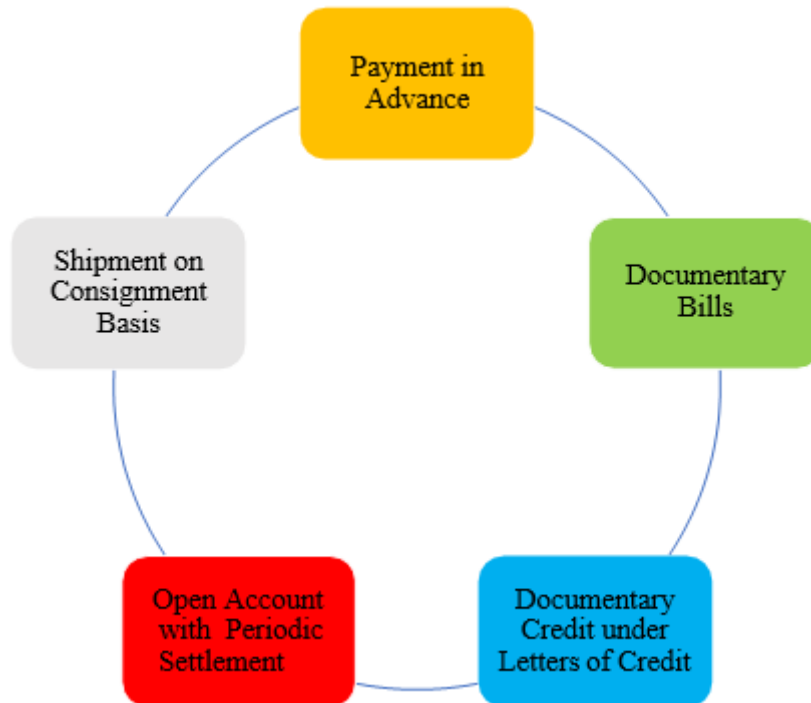


Figure 3.5 Methods of receiving payment.

Bill of lading

- A bill of lading is a legal document issued by a carrier to a shipper that details the type, quantity, and destination of the goods being carried.
- A bill of lading also serves as a ^{shipment receipt} when the carrier delivers the goods at a predetermined destination.
- This document must accompany the shipped products, no matter the form of transportation, and must be signed by an authorized representative from the carrier, shipper, and receiver.

Types of Bill of Lading

- Ocean Bill of Lading

If a consignment is transported by sea, nationally or internationally Ocean Bill of Lading is used.

- Inland Bill of Lading

Inland Bill of Lading is the bill of lading which allows the shipping carrier to ship cargo, by road or rail, across domestic land, but not overseas.

- Multimodal/Combined Transport Bill of Lading

This is a type of Through Bill of Lading that involves a minimum of two different modes of transport, land or ocean. The modes of transportation can be anything from freight boat to air.

- Direct Bill of Lading

Direct Bill of Lading is used when you know the same vessel that picked up the cargo will deliver it to its final destination.

- Clean Bill of Lading

If a consignment with no damage on packages apparently, the carrier issues a Bill of lading called Clean Bill of Lading

- Unclean Bill of Lading/Claused bill of lading/foul bill of lading/Dirty Bill of Lading/Soiled Bill of Lading

If owner of ship or his agent does not agree with one or more of the statements mentioned in the bill of lading, he adds the said clause or clauses on the bill of lading. This bill of lading is called unclean bill of lading, claused bill of lading or foul bill of lading

- Shipped On Board Bill of Lading

A Shipped-on Board Bill of Lading is issued when the cargo arrives at the port in good, expected condition from the shipping carrier and is then loaded onto the cargo ship for transport overseas.

- Received Bill of Lading

Received for shipment' bill of lading can be issued to shipper immediately up on receipt of goods by the carrier after necessary export customs clearance procedures of exporting country.

- Through Bill of Lading

Under a Through Bill of Lading, the shipping carrier can pass the cargo through several different modes of transportation and/or several different distribution centers. This Bill of Lading needs to include an Inland Bill of Lading and/or an Ocean Bill of Landing depending on its final destination.

- Stale Bill of Lading

A Bill of Lading can be treated as 'Stale', if it is presented long after sailing of vessel pertaining to a shipment at port of loading. Such presentation of Bill of Lading could be with the Supplier's Bank, Discounting Bank, Negotiating Bank, Buyer's Bank or buyer. The term 'Stale Bill of Lading' is also used when a bill of lading is presented with a bank after expiry date of credit.

- Straight Bill of Lading

Straight Bill of Lading is also known as Consignment Bill of Lading. Straight Bill of Lading is a non negotiable Bill of Lading where in no payment is required against the goods. The carrier of goods release cargo to consignee on production of identity of consignee at port of final destination.

Letter of credit

A letter of credit, or "credit letter" is a letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount.

Types of Letters of Credit

- Documentary Letter of Credit

This letter of credit specifies the various documents that are required to be submitted by the exporter to the importer

- Revocable and Irrevocable Credit

Under revocable letter of credit, the opening bank reserves the right to cancel or modify the credit, at any time, without the consent of the beneficiary.

In case of irrevocable letter of credit, the opening bank has no right to change the terms of credit, without the consent of the beneficiary.

- With Recourse or Without Recourse Letter of Credit

Under ‘With Recourse’ letter of credit, the negotiating bank can make the exporter liable, in case of default in payment by the opening bank or importer.

Under ‘Without Recourse’ letter of credit, the negotiating bank has no recourse to the exporter.

- Confirmed and Unconfirmed Letter of Credit

Exporter may insist that the local bank should add confirmation to the credit opened and after confirmation, the letter of credit becomes confirmed and irrevocable.

When the credit is irrevocable but not confirmed, the issuing bank asks the correspondent bank to advise the credit and in such a case, the correspondent bank will advise the credit

- Transferable and Non-Transferable Letter of Credit

Under transferable letter of credit, exporter can transfer the credit fully or partly to one or more parties.

When the credit is not transferable, it is non-transferable credit.

- Fixed and Revolving Letter of Credit

A fixed letter of credit is for a fixed period and amount.

In case of revolving letter of credit, the letter of credit would be revived automatically for the same amount and period, once it is exhausted.

- Freely Negotiable and Restricted Letter of Credit

When the letter of credit does not put any condition for the negotiation of documents, it is a freely negotiable letter of credit.

In case, the credit names a specific bank for negotiation, then the letter of credit is a restricted credit.

- Deferred period of Credit

In this period of credit, the supplier provides credit to the buyer after supply of goods.

- Standby Credit

This is similar to a performance bond or guarantee, but in the nature of letter of credit.

- Assignable and Non-Assignable Letter of Credit

An assignable letter of credit can be assigned to a third party by the beneficiary of the credit.

A non-assignable letter of credit is one that cannot be further assigned and so opened only in favor of the real exporter of goods after the exporter confirms the order.

Pre-Shipment Finance

- Packing Credit

The basic purpose is to enable the exporter to procure, process, manufacture or store the goods for export. Packing credit refers to the credit granted by bank to an exporter to enable him to pack the goods.

- Advances against Incentives receivable from Government

Generally, incentives receivable from Government of India are sanctioned at post shipment stages. However, bank sanctions these advances, under exceptional circumstances

- Pre-Shipment Credit in Foreign Currency

This is an additional window to rupee packing credit scheme. This will enable the exporter to import the required raw materials for executing the export contract. This credit is available in all foreign currencies. For this, exporter cannot get sanction without producing confirmed export order/irrevocable letter of credit. This advance is self-liquidating in nature, with negotiation of export bill.

Post Shipment Finance

1. Negotiation of Export Documents under Letters of Credit
2. Purchase/Discount of Foreign Bills

3. Advance Against Export Bills Sent on Collection
4. Advance Against Exports Sent on Consignment Basis
5. Advance Against Export Incentives
6. Advance Against Undrawn Balances
7. Advance Against Retention Money
8. Post-shipment Credit in Foreign Currency
9. Buyers' Credit
10. Line of Credit

Instruments of Payment

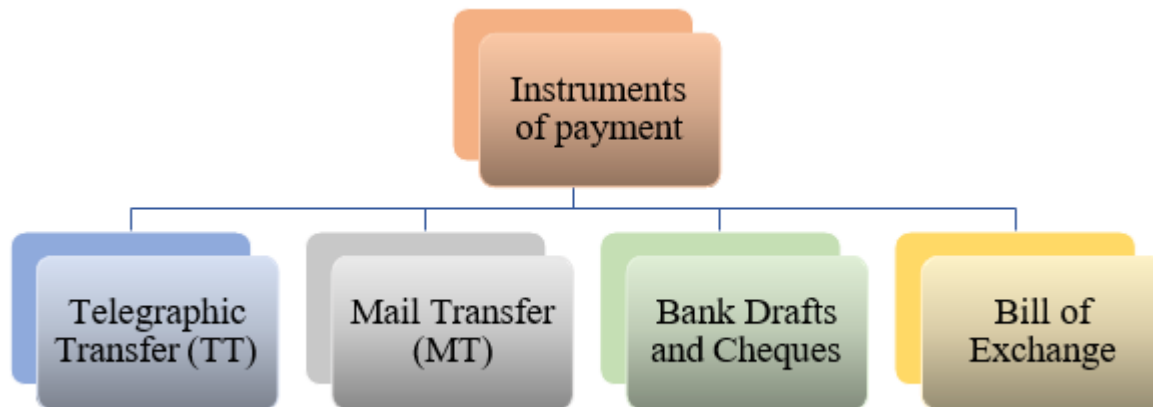


Figure 3.6 Instruments of Payment

Types of Risks in International Trade

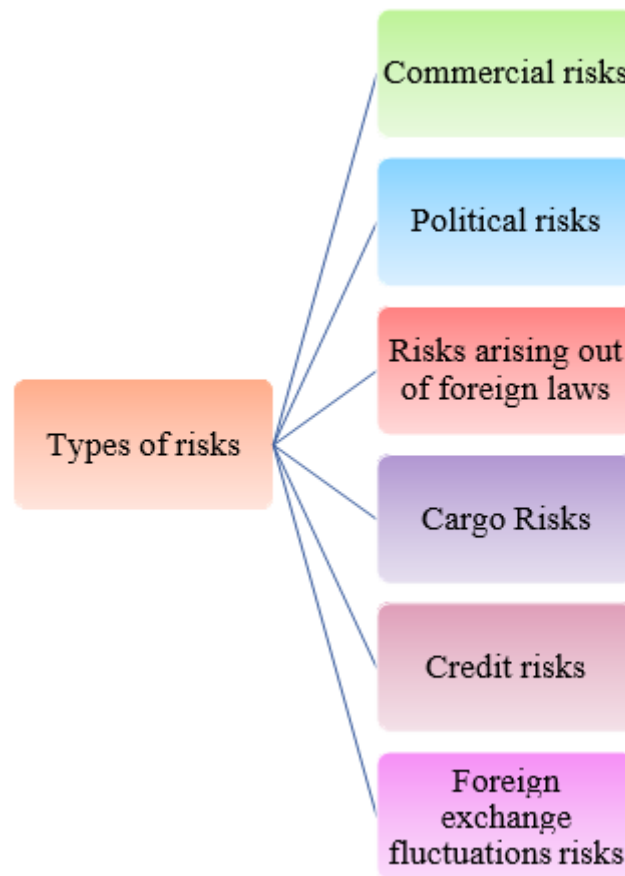


Figure 3.7 Types of Risks

Objectives of Quality Control

- Promoting and ensuring the image of Indian goods exported to other countries.
- Ensuring goods of assured quality only move into the export market.
- Sustaining the foreign markets where Indian goods are already favored and developing new markets with qualitative edge.
- Inspiring confidence in the minds of buyers, with the assurance provided by reputed third party guarantee.
- Adhering strictly to the technological requirements accepted by the foreign buyers of the product.

- Ensuring sound and safe performance, without causing any health or safety hazards.
- Observing conformity of rules and regulations of the importing country.
- Maintaining proper packing for the safety of product during transit.
- Eliminating the causes for complaints from the foreign buyers and making every effort to spread quality consciousness in the country to improve overall quality of Indian products.
- Maximizing production and effecting economies by standardization.

Procedure for Pre-shipment Inspection

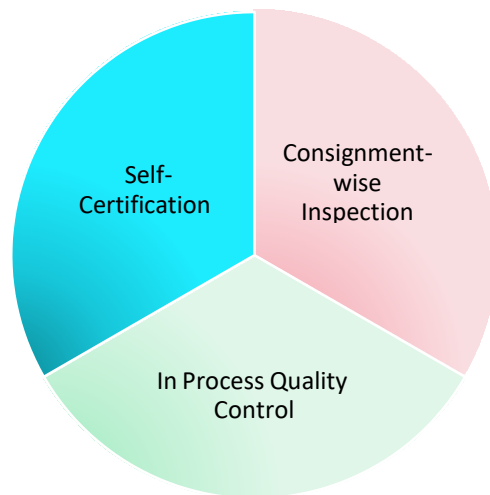


Figure 3.8 Procedure for Pre-shipment

- Consignment-wise Inspection
 - Application to EIA
 - Deputation of Inspector
 - Inspection and Testing
 - Packing and Sealing of Goods
 - Submission of Report to EIA and issue of Inspection Certificate

- Issue of Rejection Note
- Appeal against Rejection Note
- In Process Quality Control

These units are highly quality conscious and conduct thorough quality control at each and every stage of production that includes:

- Raw materials and bought out components,
- Process control
- Product control and
- Packing and packaging control.
- Self-Certification

For the purpose of qualifying to become eligible, the reputed manufacturing unit should comply with the prescribed norms that include the following:

- Product Quality
- Design and Development
- Raw materials/Bought out Components
- Organization and personnel for quality control
- Process Control
- Laboratory
- Quality Audit
- Packaging
- After-sales-service and
- House-keeping and Maintenance

Role of Intermediaries

A freight forwarder typically prepares the documentation, suggests shipping methods, navigates trade regulations, and assists with details like packing and labelling. At the foreign port, the freight forwarder arranges to have the exported goods clear customs and be shipped to the buyer. The process ends with the freight forwarder sending the documentation to the seller, buyer, or intermediary, such as a bank

The following are some of the services provided by all Clearing and Forwarding Agents.

- a) Warehousing before Transportation
- b) Local Transportation
- c) Container Arrangement
- d) Reservation of Shipping Space
- e) Selection of Mode of Transport
- f) Packing, Marking and labelling
- g) Completing Customs and Port formalities
- h) Cargo Insurance
- i) Advising Exporters on Trade Laws
- j) Educating Exporters
- k) Coordination with other Agencies
- l) Procuring Documents

Export import documentation that are required for various transactions

- The bill of lading

Contract between the exporter and the carrier (e.g., UPS or FedEx), authorizing the carrier to transport the goods to the buyer's destination. The bill of lading acts as proof that the shipment was made and that the goods have been received.

- A commercial or customs invoice

Bill for the goods shipped from the exporter to the importer or buyer. Exporters send invoices to receive payment, and governments use these invoices to determine the value of the goods for customs-valuation purposes.

- The export declaration

Given to customs and port authorities. The declaration provides the contact information for both the exporter and the importer (i.e., buyer) as well as a description of the items being shipped, which the CPB uses to verify and control the export. The government also uses the information to compile statistics about exports from the country.

- The certificate of origin

As its name implies, declares the country from which the product originates. These certificates are required for import duties. These import duties are lower for countries that are designated as a "most favored nation".

- Insurance certificates

Although not required, insurance certificates show the amount of coverage on the goods and identify the merchandise. Some contracts or invoices may require proof of insurance in order to receive payment.

- The letter of credit

Legal document issued by a bank at the importer's (or buyer's) request. The importer promises to pay a specified amount of money when the bank receives documents about the shipment.

Simply put, the letter of credit is like a loan against collateral (in this case, the goods being shipped) in which the funds are placed in an escrow account held by the bank

Export Procedures

It is essential for an exporter to register himself with the specified authorities:

- 1) Regional licensing Authority
- 2) Registration with export promotion councils

- Step 1

In case of first-time exporters –importers they need to apply to the Director General of Foreign Trade (DGFT) regional office for getting Importer-Exporter Code (IEC) Number.

- Step 2

The exporter has to register with the concerned export promotion council in order to obtain various permissible benefits given by the government. They need to get registered with sales tax office, and even Export Credit Guarantee Corporation.

- Step 3

The exporter can now go in for procuring orders, by first sending a sample, if required. The importer sends a purchase order once both exporter and importer have agreed upon the terms and conditions of the contract like pricing, documents, freight charges, currency etc.

- Step 4

With export order in hand, the exporter starts manufacturing goods or buying them from other manufacturers.

- Step 5

The exporter makes arrangements for quality control and obtains a certificate confirming the quality of the goods from inspector of quality control.

- Step 6

Exportable are then dispatched to ports/airports for transit.

- Step 7

The export firm has to apply to an insurance company for marine/air insurance cover. (The exporter asks the importer to take marine/ air insurance under cost and freight, free on board etc., terms of contract.)

- Step 8

The exporter contacts the clearing and forwarding agent (C & F) for storing the goods in warehouses. A document called Shipping Bill, required for allowing shipment by Customs Authority is presented by the forwarding agent.

- Step 9

Once the goods are loaded into the ship, a receipt called 'Mate's Receipt' is issued by the captain to the ship superintendent of the port.

- Step 10

The superintendent calculates port charges and handover to the exporter /C&F agent.

- Step 11

After making the port payments, the C&F agent or exporter gets the Bills of Lading or Airway Bill from the official agent of the shipping company or the airline

- Step 12

The exporter applies to the relevant Chamber of Commerce for obtaining Certificate of Origin, stating that the goods originated from India.

- Step 13

The exporter sends a set of documents to the importers, stating the date of shipment, name of vessel etc.

- Step 14

Within 21 days after shipment the exporter must present all the documents at his bank which scrutinizes these documents against the original letter of credit /purchase order.

- Step 15

The exporter's bank sends these documents to the importer's bank which should make the payment on or before the due date

Import Procedures

- Step 1. Obtaining import license and quota Importer has to attach the following documents to his application forms: -
 - Receipt which shows that import license fee has been paid.
 - Certificate from a Chartered Accountant showing the total value of goods to be imported. Verification Certificate for income tax.
- Step 2. Obtaining foreign exchange

Before placing any order, the importer must apply to the Exchange Control Department (ECD) of RBI (India's Central Bank) for the release of requisite foreign exchange. The importer should forward the application through his bank. The ECD verifies the application of the importer, and if found valid, sanctions the foreign exchange for the particular transaction.

- Step 3. Placing an order

The importer may either place the order directly or through the indent house (Agent). In case of canalized items, he obtains the imports through the canalizing agency. The importer cannot directly import such canalized items. They have to place an order with the canalizing agency who shall import and supply the same.

- Step 4. Dispatching letter of credit

After getting the confirmation from the supplier regarding the supply of goods, the importer requests his bank to issue a Letter of credit in favor of supplier. It can be defined as "an undertaking by importer's bank stating that payment will be made to the exporter if the required documents are presented to the bank".

- Step 5. Appointing clearing and forwarding agents

The importer makes arrangement to appoint clearing and forwarding agents to clear the goods from the customs. Since clearing of goods is a specialized job, it is better to appoint C & F agents.

- Step 6. Receipt of shipment device

The importer receives the shipment advice from the exporter. The shipment advice states the date on which the goods are loaded on the ship. The shipment advice helps the importer to make arrangement for clearance of goods.

- Step 7. Receipts of documents

The importer's bank receives the documents from the exporter's bank. The documents include bill of exchange, a copy of bill of lading, certificate of origin, commercial invoice, consular invoice, packing list, and other relevant documents. The importer makes payment to the bank (if not paid earlier) and collects the documents.

- Step 8. Bill of entry

This is a document required in case of import of goods. It is like shipping bill in case of exports. A Bill of Entry is the document testifying the fact that goods of the stated value and description in specified quantity are entering into the country from abroad.

The customs office supplies this form which is prepared in triplicate. Three different colours are used to prepare bill of entry. One copy is retained by custom department, other is retained by port trust and the third is kept by the importer.

- Step 9. Delivery order

The clearing agents obtains the delivery order from the office of the shipping company. The shipping company gives the delivery order only after payment of freight, if any.

- Step 10. Clearing of goods

The clearing agent pays the necessary dock or port trust dues and obtains the port Trust Receipt in two copies. He then approaches the Customs House and presents one copy of Port Trust Receipt, and two copies of Bill of. Entry to the customs authorities. The customs officer endorses the Bill of Entry Forms and one copy of Bill of Entry is handed back to the importer. The importer then pays the customs duty and clears the goods. In case, the customs duty is not

paid, then the goods are stored in the bonded warehouses. As and when the duty is paid, the goods are cleared from the docks.

- Step 11. Payment to clearing and forwarding agent

The importer then makes the necessary payment to the clearing agent for his various expenses and fees.

- Step 12. Payment to exporter

The importer has to make payment to exporter. Usually, the exporter draws a bill of exchange. The importer has to accept the bill and make payment.

- Step 13. Follow up

The importer then informs the exporter about the receipt of goods. If there are any discrepancies or damages to the goods, he should inform the exporter.

3.2 Indian Perspective

Introduction

Since the introduction of planning in the country, India had to depend heavily on the imports of various types of machineries and equipment's for the development of various types of industries in the country. Such imports were known as developmental imports.

At that stage, India had to import capital goods extensively in order to set up various industries like steel plants, locomotives, hydro-electric projects etc. In the next stage, India had to import a huge quantity of intermediate goods and raw materials in order to utilize the productive capacity developed in the initial periods. This type of imports was known as maintenance imports.

Thus, the developmental process of a developing country like India in its initial stages was very much depending on developmental and maintenance imports.

Moreover, in order to meet the scarcity of some essential commodities, the government has also imported food grains and other consumer goods. This type of imports was considered as

anti-inflationary imports. In order to meet its mounting import bill, the country started to export various types of primary products at initial stage.

But with the growth of various types of manufacturing industries and engineering industries, the country started to withdraw these traditional items of export and gradually established a good market for its manufactured and semi-manufactured commodities. Thus, foreign trade has been helping the country in different stages of its economic development.

The composition of foreign trade is an important indicator of the pattern of trade developed by country. By the term Composition of trade, we mean the structural analysis involving the various types and the volume of various items of exports and imports of the country.

The composition of foreign trade of a country reflects on the diversification and specialization attained in its productive structure along with its rate of progress and structural changes. The country exporting more of primary products, viz., raw materials and importing finished manufacturing goods and capital goods can be branded as an underdeveloped country.

With the passage of time a country attempts to change the pattern of trade in such a manner so that it can attain a better term of trade for its products by transforming the country from a primary producing one to a producer of finished manufactured products.

Composition of Imports in India

Just at the dawn of independence, the import basket of India was mostly consisting of grains, pulses, oils, machineries, hardware's, chemicals, drugs, dyes, yarns, paper, non-ferrous metals, vehicles etc. With the introduction of planning and with its emphasis on the development of basic, capital goods and engineering industries, the country had to import a huge quantity of capital equipment's along with its spares known as maintenance imports.

Composition of Exports in India

At the dawn of independence, the export basket of the country was mostly consisting of jute, tea and cotton textiles, which jointly contributed more than 50 per cent of the total exports

earning of the country. In 1950-51, these three commodities contributed about 60 per cent of the total export earnings of the country.

But this export of primary products is always disadvantageous as the terms of trade always go against the exporter country in this respect due to its inelastic demand in international markets.

With the gradual diversification and growth of the industrial sector, India started to export various types of non-traditional products

In the pre-independence period India did not have any clear-cut trade policy but in specific cases adopted only import restriction viz., discriminating protection since 1923. After independence the Government adopted a trade policy as a component of policy on economic development of the country.

Features of Trade Policy of India

In the initial stage in order to protect Indian industries from foreign competition the Government imposed restriction as a part of protective policy. Accordingly, the Government of India restricted the foreign competition through the system of import, licensing, import quotas, import duties and import ban on extreme cases.

After the adoption of Mahalanobis Model of development since the Second Plan a clear-cut import policy became imperative on the following grounds:

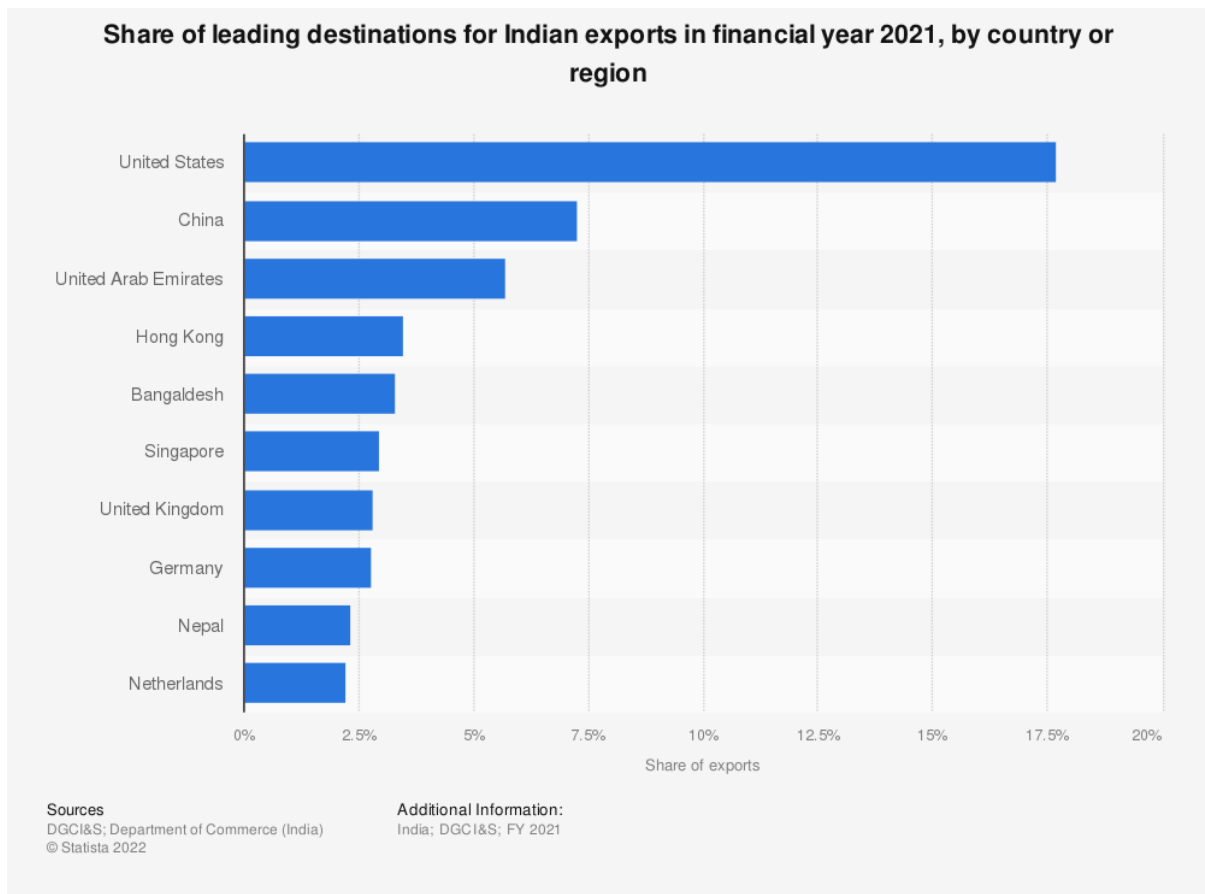
- Complete or partial ban on the import of consumer goods
- Extensive control of various items of imports
- Liberal imports of capital goods for industrialization
- Developing a suitable environment for adopting import substitution

In respect of export, the Government adopted various decisions for promotion of exports through various fiscal and other incentives, and also by setting up some trading institutions. After the Second Plan, the Government undertook various export promotion measures in order to overcome its foreign exchange crisis and to attain the objective of self-reliance.

Aims of the import export policy of the Government

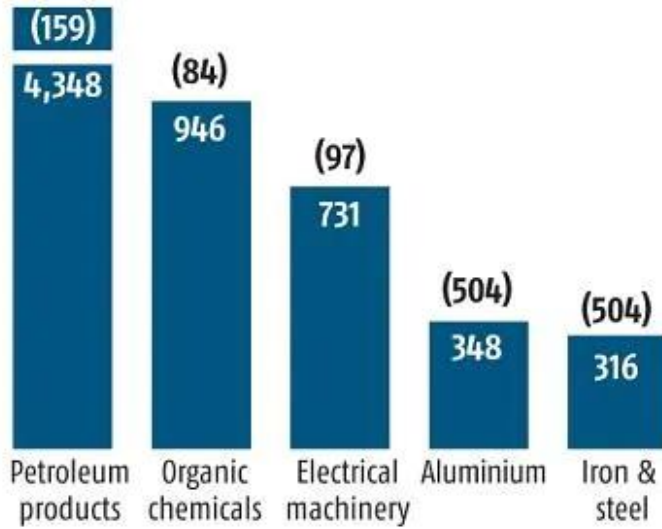
- Providing incentive for export promotion
- Providing support to the growth of indigenous industries
- Optimum utilization of resources
- Upgradation of technologies
- Providing stimulus to export-oriented industries
- Imposing control on non-essential imports in order to save foreign currency.

India's Major Export Destination



TOP EXPORTS TO THE NETHERLANDS IN FY22

■ \$ million (% YoY in brackets)



RANKINGS OF TOP EXPORT DESTINATIONS OF INDIA

	FY22	FY21
1	US	1
2	UAE	3
3	China	2
4	Bangladesh	5
5	Netherlands	10
6	Singapore	6
7	Hong Kong	4
8	UK	7
9	Belgium	13
10	Germany	8

Source: Commerce Ministry

Figure 3.9 India's major Export destination

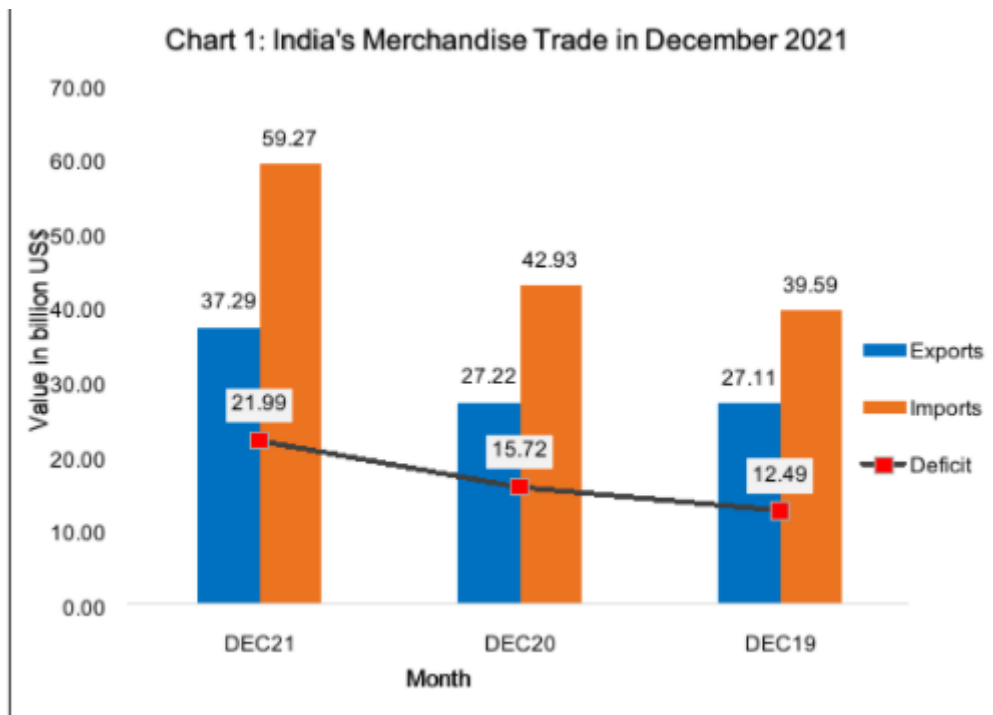


Figure 3.10 India's merchandise trade

India's Top Export Items (2020-21)			
No.	Items	Values in US\$ billion	% share in total exports
1	Mineral fuels, including oil	26.9	9.2
2	Gems, precious metals	26.1	8.96
3	Pharmaceuticals	19.4	6.64
4	Mechanical appliances	18.95	6.49
5	Organic chemicals	17.95	6.15
6	Electric machinery	14.2	4.87
7	Vehicles	13.6	4.67
8	Iron and steel	12.1	4.15
9	Cereals	10.1	3.46
10	Plastic, plastic articles	6.8	2.35

Graphic© Asia Briefing Ltd.

India's Top Import Items (2020-2021)			
No.	Items	Values in US\$ billion	% share in total imports
1	Mineral fuels, including oil	99.7	25.2
2	Gems, precious metals	55.1	13.9
3	Electrical machinery	46.6	11.8
4	Mechanical appliances	37.03	9.3
5	Organic chemicals	19.7	4.9
6	Plastic, plastic articles	13.3	3.3
7	Animal/vegetable fats, oils, waxes	11.3	2.8
8	Optical, technical, medical apparatus	8.5	2.17
9	Iron and steel	8.2	2.09
10	Inorganic chemicals	6.8	1.745

Graphic© Asia Briefing Ltd.

Figure 3.11 India's top export and import items

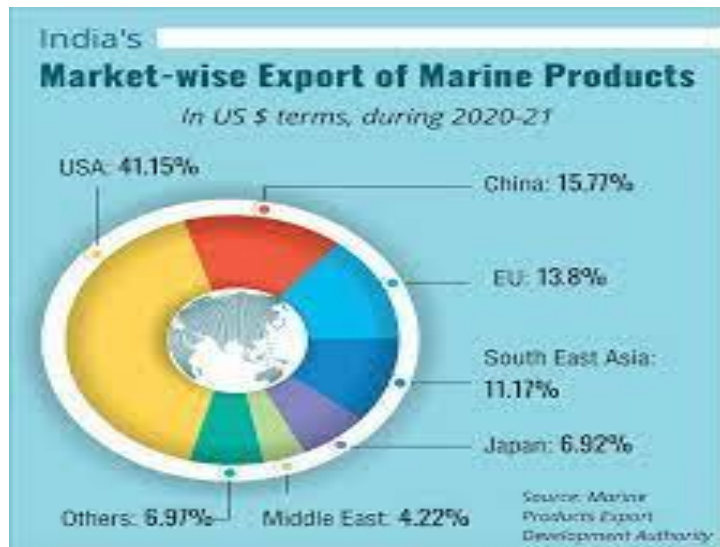


Figure 3.12 India's market wise export of marine products



Figure 3.12 India's Imports

India Imports by Country	Last	Previous		
China	688.62	638.36	INR Billion	Mar/22
United States	363.94	334.65	INR Billion	Mar/22
Saudi Arabia	359.42	278.61	INR Billion	Mar/22
United Arab Emirates	352.84	337.26	INR Billion	Mar/22
Iraq	344.81	269.92	INR Billion	Mar/22
Singapore	180.48	126.26	INR Billion	Mar/22
Indonesia	166.36	106.58	INR Billion	Mar/22
Hong Kong	142.23	115.86	INR Billion	Mar/22
Australia	120.54	124.28	INR Billion	Mar/22
Nigeria	108.01	56.29	INR Billion	Mar/22
Qatar	107.57	100.40	INR Billion	Mar/22
Russia	101.32	62.34	INR Billion	Mar/22
Japan	98.93	79.40	INR Billion	Mar/22

Figure 3.13 India's import by country

India was greatly affected by the coronavirus (COVID-19) pandemic in various sectors. Intending to get hold of the situation, India announced its first nation-wide lockdown in March 2020, which led to the economic slowdown. Consequently, international trade took a huge hit as well. In April 2021, imported commodities, specifically silver, pulses and newsprint, faced more than 27 percent decline compared to previous year. By contrast, gold, precious, semi-precious stones and pearls, had a positive change rate.

The coronavirus (COVID-19) pandemic laid additional stress on the country's already struggling economy. With a GDP growth of just three percent in the fourth quarter of the financial year 2020, a drop of more than 20 percent in the next quarter came as a huge blow. The markets reacted differently to the crisis, which was reflected in their growth rate. The automotive market was hit the hardest by the lockdown, as it showed the maximum negative growth. While most industries were shaken to their core, financial, real estate and professional services were estimated to incur huge losses.

Riding on resurging global growth after two muted years of the Covid-19 pandemic, India surpassed \$400 billion in exports in FY22, an all-time high for the country, comfortably higher than the five-year average of \$300 billion before coronavirus struck.

After two years of muted growth, global trade touched a record \$28.5 trillion in 2021, a fact that supported India's export surge. Relaxation of Covid-19 restrictions across the world, also in India with cases remaining under 10,000, demand and increasing commodity prices are responsible for the uptick in global trade

Indian exports were supported by several production-linked incentive (PLI) schemes introduced in many sectors including mobile manufacturing, electronic and textile products. Local manufacturing boomed which helped India compete in the global markets. The government also launched an interest equalisation scheme to make credit available for cheaper exporters in India.

In February 2022 India exported \$37.1B and imported \$57B, resulting in a negative trade balance of \$19.9B. Between February 2021 and February 2022 the exports of India have increased by \$9.61B (34.9%) from \$27.5B to \$37.1B, while imports increased by \$16.5B (40.6%) from \$40.5B to \$57B.

In February 2022, India exported mostly to US (\$6.17B), UAE (\$2.6B), Bangladesh (\$1.59B), Netherlands (\$1.44B), and China (\$1.41B), and imported mostly from China (\$8.51B), UAE (\$4.5B), US (\$4.46B), Saudi Arabia (\$3.71B), and Iraq (\$3.6B).

In February 2022, the increase in India's year-by-year exports was explained primarily by an increase in exports to US (\$514M or 11.6%), South Africa (\$494M or 166%), and Australia (\$293M or 142%), and product exports increase in Pearl, Precs, Semiprecs Stones (\$403M or 22.8%), Iron Ore (\$275M or 109%), and Rice (Other Than Basmati) (\$267M or 150%). In February 2022, the increase in India's year-by-year imports was explained primarily by an increase in imports from Switzerland (\$1.43B or 158%), China (\$660M or 11%), and south Africa (\$366M or 78.2%), and product imports increase in Gold (\$2.45B or 155%), Pearl, Precs, Semiprecs Stones (\$735M or 50.2%), and Vegetable Oils (\$298M or 35.6%).

In February 2022, the top exports of India were Petroleum Products (\$6.9B), Pearl, Precs, Semiprecs Stones (\$2.42B), Iron and Steel (\$1.76B), Drug Formulations, Biologicals (\$1.5B), and Aluminium, Products of Aluminium (\$1.05B). In February 2022 the top imports of India

were Petroleum: Crude (\$13.3B), Gold (\$4.78B), Petroleum Products (\$3.53B), Pearl, Precs, Semiprecs Stones (\$3.2B), and Coal, Coke and Briquettes Etc (\$2.86B)

Table 3.1 India Foreign Trade (in billion \$)

Year	Export	Import	Trade Deficit
1999	36.3	50.2	-13.9
2000	43.1	60.8	-17.7
2001	42.5	54.5	-12.0
2002	44.5	53.8	-9.3
2003	48.3	61.6	-13.3
2004	57.24	74.15	-16.91
2005	69.18	89.33	-20.15
2006	76.23	113.1	-36.87
2007	112.0	100.9	11.1
2008	176.4	305.5	-129.1
2009	168.2	274.3	-106.1
2010	201.1	327.0	-125.9
2011	299.4	461.4	-162.0
2012	298.4	500.4	-202.0
2013	313.2	467.5	-154.3
2014	318.2	462.9	-144.7

2015 ^[15]	310.3	447.9	-137.6
2016	262.3	381	-118.7
2017	275.8	384.3	-108.5
2018	303.52	465.58	-162.05
2019	330.07	514.07	-184
2020	314.31	467.19	-158.88
2021	420	612	-192

Source: Wikipedia

3.2.2 Foreign Trade Policy of India:

In January 2021, the merchandise exports increased to US\$ 34.06 billion, registering an increase of 23.69% year on year. With the upcoming trade policy 2021-26, the government plans to increase merchandise exports with emphasis on the higher share of MSMEs.

India is on track to achieve US\$ 400 billion in exports and has negotiated several Foreign Trade Agreements (FTA) with UAE, the EU, and Canada.

The value of export of India is less than the value of import of India. The aim of our foreign trade policy is to reduce the difference between the value of import and the value of export. The different steps which are taken to overcome this gap are divided into three types. These are Import Control, Import Substitution and Export Promotion.

Import Control

Our country has adopted import policy since the beginning of Five-Year Plan. A developing country like India needs a restrictive import policy unless which the produced goods of developed countries will capture the market of India because the new industry of India cannot compete with the established industries of developed countries.

Import restriction policy helps to control our market from foreign competition which helps economic development. Due importance is given to defense and other area. It is not possible to reduce the import of those goods which are necessary to build our defense strong.

Liberal policy is adopted to import capital goods and technical knowledge for rapid industrialization. It means the structure of import is channeled by adopting different restrictions on import. The commodities which are necessary are imported and other commodities imports are strictly regulated.

Import Substitution

The production of imported commodities inside a country to reduce import is known as import substitution. More is in the production of the substitute of import, the less dependence on foreign market and import.

Different incentives have been provided by the Government to establish import substitute industries for import substitution. Due to different measures of our government, we have achieved a lot in the field of import substitution. For example, we are not now depending upon foreign markets in the field of iron and steel, aluminum, machineries for textile industries and an innumerable consumer' goods.

Export Promotion

Foreign trade policy of India gives importance to export promotion. Different steps have been taken to increase the export of both traditional and non-traditional goods. Increase in export needs means an increase in the demand for our goods in the foreign market. To achieve this, Government has given importance to market related research and survey.

Trade fairs and exhibitions are organized by our government in the foreign countries to develop and generate interest for our products. Representatives are sent to foreign countries to create market for our products. Bilateral trade agreement is also signed and improved among different countries

Generation of interest for our produced goods is not enough to boost export but it needs to fix an accepted price to the foreigners. It needs modernization of export units and use of new

techniques to make it more competitive. Keeping these things in mind our government has given importance to modernize export units.

Different steps have been taken for export promotion. In some sectors, subsidy is given to the export units. In other sectors, permission is granted to import raw materials and machineries etc. against exported goods. Except these, taxes are also reduced on the commodities which are used by export units for producing their goods.

In some cases, export duties are reduced or exempted on exported goods. Credit is granted at a cheaper rate to exporter through Reserve Bank of India, State Bank of India, Industrial Development Bank of India and Export-Import Bank. Except these facilities, different organizations are established. Important among them are Export Advisory Council, Export Promotion Council, Foreign Trade Board, Directorate of Export Promotion etc. to boost export.

It means different steps like creation of market for our goods, increasing competitiveness among export units and inspiring the exporters to export more are taken to boost exports.

3.3 Current Scenario

India's nominal gross domestic product (GDP) at current prices is estimated to be at Rs. 232.15 trillion (US\$ 3.12 trillion) in FY2021-22. India's trade and external sector had a significant impact on the GDP growth as well as expansion in per capita income. According to the Ministry of Commerce and Industry, India's overall exports between April 2021 and December 2021 were estimated at US\$ 301.3 billion (a 49.6% YoY increase). Whereas overall imports between April 2021 and December 2021 were estimated at US\$ 443.82 billion (a 68% YoY increase).

India's overall exports (Merchandise and Services combined) in January 2022* are estimated to be USD 61.41 Billion, exhibiting a positive growth of 36.76 per cent over the same period last year and a positive growth of 38.90 per cent over January 2020. Overall imports in January 2022* are estimated to be USD 67.76 Billion, exhibiting a slower rate of growth of 30.54 per cent over the same period last year and a positive growth of 30.19 per cent over January 2020

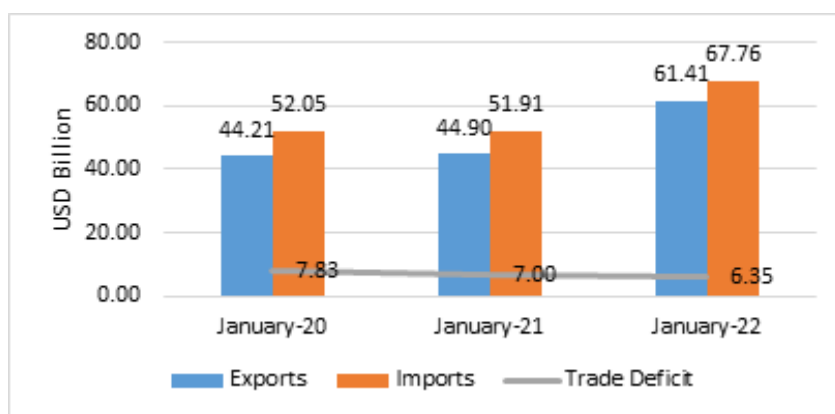


Figure 3.13 India's Overall Trade during January 2022.

India's overall exports (Merchandise and Services combined) in April-January 2021-22* are estimated to be USD 545.71 Billion, exhibiting a positive growth of 37.68 per cent over the same period last year and a positive growth of 23.29 per cent over April-January 2019-20. Overall imports in April-January 2021-22* are estimated to be USD 616.91 Billion, exhibiting a positive growth of 54.35 per cent over the same period last year and a positive growth of 20.15 per cent over April-January 2019-20.



Figure 3.14 India's export to major destinations

Source: DGFT

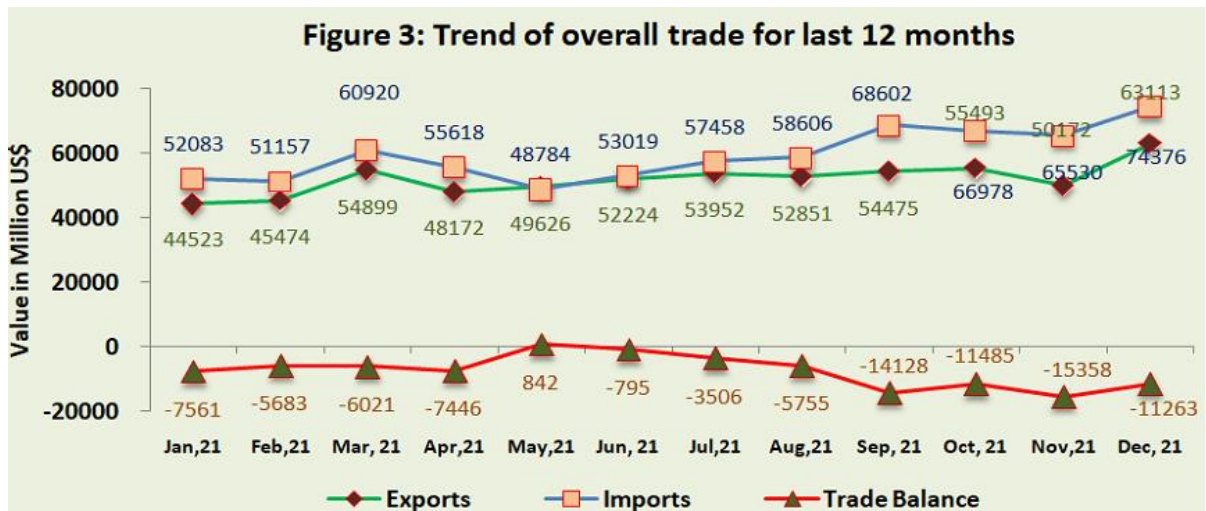


Figure 3.15: Trend of overall trade

Source: DGFT

Figure 1: Exports of major Commodities during Apr-Jan of last 5 years

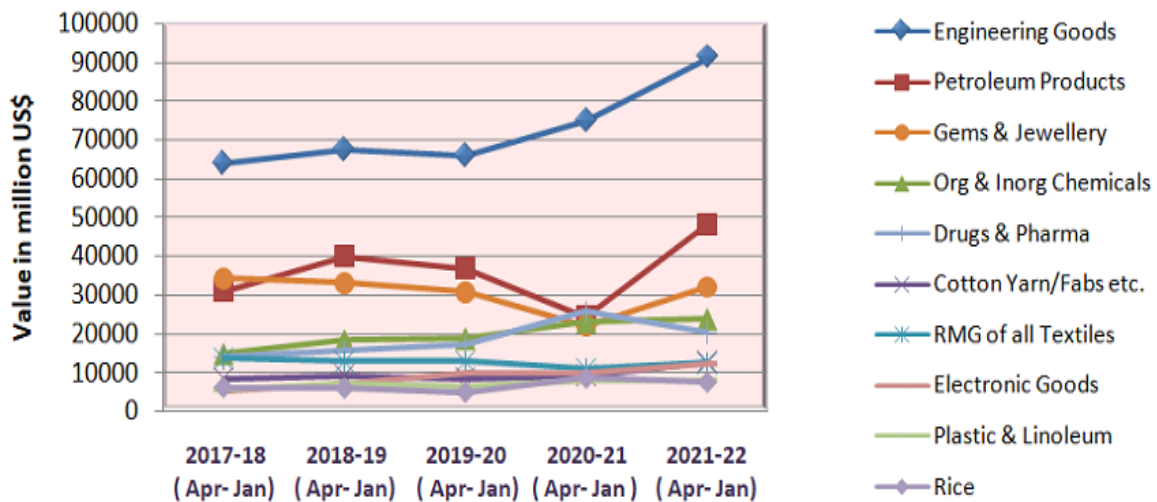


Figure 3.16: Export of major commodities

Source: DGFT

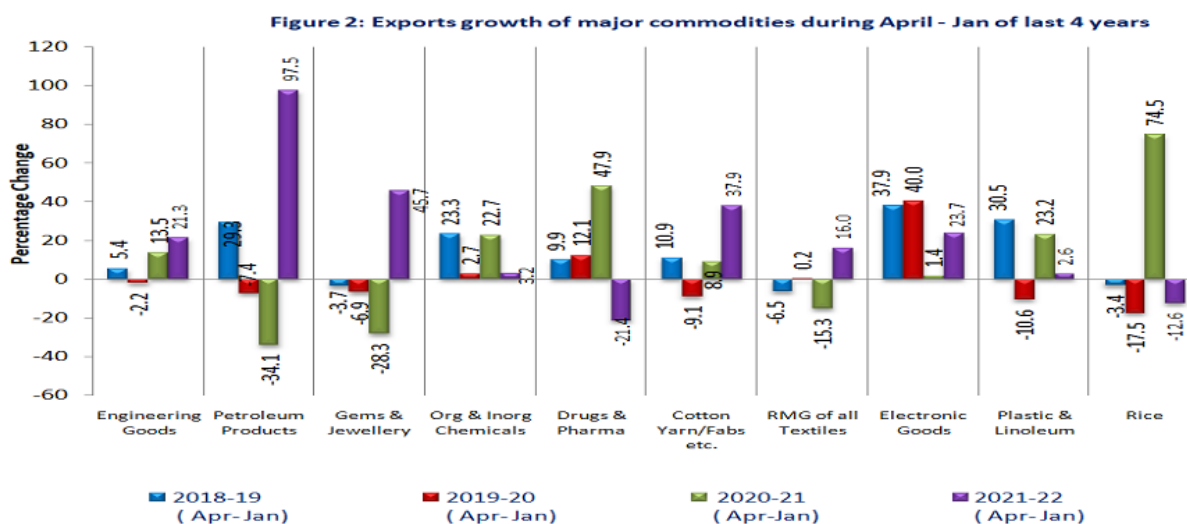


Figure 3.17: Export growth of major commodities.

Table: Top 10 commodity exports

No	Commodity	Values
1	Refined petroleum	61.2
2	Gems, precious metals, stones, coins	41.2
3	Vehicles	14.5
4	Machines, engines, pumps	13.6
5	Organic chemicals	12.1
6	Pharmaceuticals	11.7
7	Cereals	10.1
8	Iron and steel	9.1
9	Clothing	9.1
10	Electronics	9.1

Table: Top 10 commodity imports.

No.	Commodity	Value
1	Oil	177.5
2	Gems, precious metals, coins	60
3	Electronics	32
4	Machines, engines, pumps	31.2
5	Organic chemicals	18.3
6	Plastics	11.8
7	Iron and steel	11.4
8	Animal/vegetables fat and oil	10.7
9	Ores, slag and ash	7.4
10	Medical and technical equipment's	7.1

Source: Wikipedia

3.4 Performance Measurement

This chapter deals with the analysis of export and import of India. The data are collected through secondary sources.

CHAPTER – 4

RECOMMENDATION AND CONCLUSION

International trade is important for the availability of multiple choices of goods and to facilitate the economic growth. Foreign trade brings countries closer. It facilitates transfer of technology and other assistance from developed countries to developing countries. It brings different countries closer due to economic relations arising out of trade agreement. Thus, helps in promoting world peace.

The study conducted for this project work was indeed helpful in understanding the overall procedures and formalities involved in the export and import of commodities. The project also helped in understanding the trend of export of goods from India to foreign countries and import of goods from foreign countries to India.

It gave the light on the relationship between export and import. The study also helped in understanding the steps involved in exports and imports of commodities, issues that are faced during export and import.

Ways to enter export business and the important documents mainly bill of lading and letter of credit required for export and import were also studied through this project.

In short, the project gave an insight about the India foreign trade and aims of import export policy of Indian government.

4.1 Findings

- According to the World Bank, India's GDP is expected to grow at 8.3% in 2021, which makes it one of the fastest-growing economies in the world. In 2020, India ranked 63rd out of 190 countries in the World Bank's Ease of Doing Business Index
- The United States was the largest export destination for Indian exports in fiscal year 2021, accounting for nearly 17 percent. China followed at over seven percent of India's exports that same year (2021)
- Netherlands jumps 5 places to become India's 5th-largest export destination.
- India's most exported commodity was **engineering goods**, valued at over 5.6 trillion Indian rupees in fiscal year 2021.
- India's major import commodity are mineral fuels, oils, waxes, precious and semi-precious stones and the major import partners are China, United States, United Arab Emirates, Saudi Arabia, and Switzerland.
- Imports in India jumped 30.97 percent year-on-year to USD 60.3 billion in April of 2022, mostly due to increase in purchases of petroleum, crude and products (87.54%), electronic goods (32.88%); and coal, coke and briquettes (146.33%).
- Between February 2021 and February 2022 the exports of India have increased by \$9.61B (34.9%) from \$27.5B to \$37.1B.

4.2 Suggestions

For future work individual studies can be made for any one country in detail. All the commodities exported from India and imported to India from that country. However, it can be possible if the detailed data is available about a particular country.

It will be also interesting to take up a single commodity that is exported from India to all the other countries.

Instead of taking up 3, 4 countries for the study many countries can be taken up to get a broader view. Another recommendation for the future work is to study about the documentation and customs procedure involved in export and import. A different analysis can be also carried other than the one that are carried in this project to get more detailed insight

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