

Introduction

- ❑ All economic activities of an economy which take place in foreign currency fall in the external sector such as import, export, external debt, foreign investment, capital account, current account, balance of payment, etc.
- ❑ It is important from a policy point of view as the changes happening in countries across the world are also linked with India.
- ❑ **India's Foreign Trade**
 - Foreign trade is exchange of capital, goods, and services across international borders or territories.
 - In most countries, it represents a significant share of the gross domestic product (GDP).
 - Foreign trade in India includes all imports and exports to and from India. It is administered by the Ministry of Commerce and Industry.
 - According to data (April -September of 2019-20) from the Ministry of Commerce & Industry.
 - ❖ India's overall exports (Merchandise and Services combined) are estimated to be USD 267.21 billion, exhibiting a positive growth of 1.93% over the same period last year.

Merchandise April-September 2019-20	Services April-September 2019-20* (Estimated)	Overall Trade = Merchandise+Services April-September 2019-20* (Estimated)
Exports USD 159.57 billion -2.39%	Exports USD 107.63 billion 9.10%	Exports USD 267.21 billion 1.93%
Imports USD 243.28 billion -7.01%	Imports USD 68.88 billion 13.52%	Imports USD 312.16 billion -3.15%
Trade Deficit USD 83.70 billion	Net of Services USD 38.75 billion	Trade deficit USD 44.95 billion

- ❖ Overall imports are estimated to be USD 312.16 billion, exhibiting a negative growth of 3.15% over the same period last year.
- ❖ With this the estimated trade deficit stood at 44.95 billion.

- ❑ **Direction of Trade:** Direction of foreign trade means the countries to which India exports its goods and the countries from which it imports. Thus, direction consists of destination of our exports and sources of our imports.

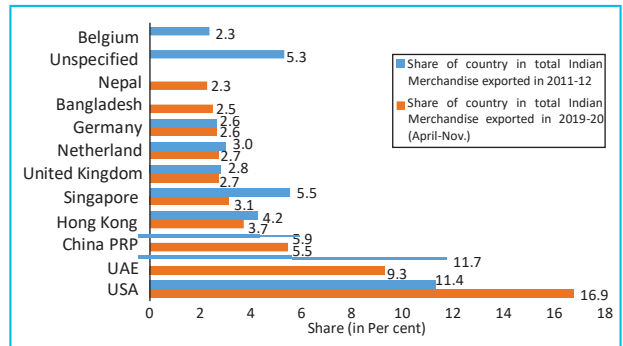


Fig.: Top 10 export destinations in 2011-12 and 2019-20 (April-November)

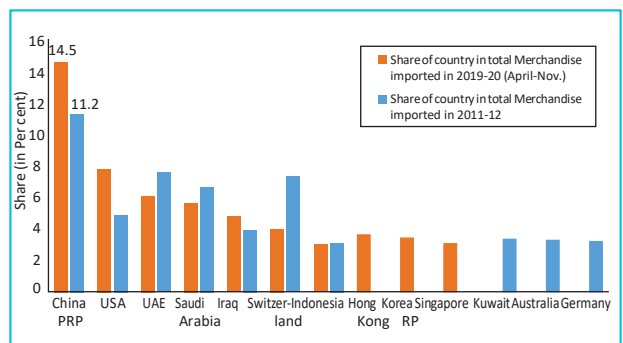


Fig.: Top 10 import origins of India in 2011-12 (April-November) (By share in per cent)

- ❑ **Composition of Indian Foreign Trade:** Composition of Indian foreign trade means major commodity or sectors in which India is doing export and import.

❖ Customs Union

- ◆ In a Customs union, partner countries may decide to trade at zero duty among themselves, however, they maintain common tariffs against the rest of the world.
- ◆ For example Southern African Customs Union (SACU) amongst South Africa, Lesotho, Namibia, Botswana and Swaziland.

❖ Common Market

- ◆ A common market is a customs union with provisions to facilitate free movements of labour and capital, harmonize technical standards across members etc.
- ◆ European Common Market is an example.

❖ Economic Union

- ◆ Economic Union is a common market extended through further harmonization of fiscal/monetary policies and shared executive, judicial & legislative institutions.
- ◆ Most important feature of this union is use of common currency.
- ◆ European Union (EU) is an example.

□ Economic Integration

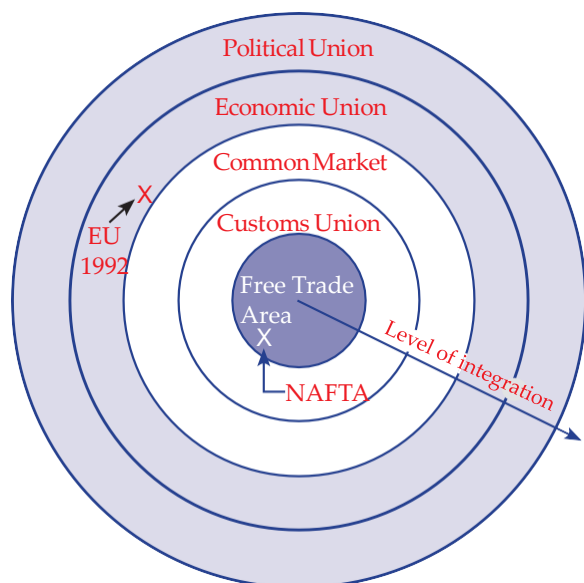


Fig.: Levels of Economic integration

- Free trade area represents the lowest form of economic integration whereas the highest form of economic integration is the Political union.
- Political union represents a common government in which the sovereignty of a member country is significantly reduced. Only found within nation-

states, such as federations where there are a central government and regions having a level of autonomy.

□ Trading Blocs and India

○ South Asian Free Trade Agreement (SAFTA)

- ❖ SAFTA was approved by all the member states of the South Asian Association for Regional Cooperation (SAARC) during the twelfth 'SAARC Summit' held in Islamabad from January 4-6, 2004.
- ❖ It came into force from January 1, 2006.
- ❖ The trade amongst SAARC nations is so poor that it comprises only 5% of the region's total world trade.

○ Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)

- ❖ BIMSTEC is a regional organization comprising seven Member States lying in the littoral and adjacent areas of the Bay of Bengal.
- ❖ BIMSTEC member states are Bangladesh, India, Myanmar, Sri Lanka, Thailand, Nepal and Bhutan.
- ❖ A BIMSTEC free trade agreement is under negotiation.

○ European Union (EU)

- ❖ The European Union (EU) is a political and economic union of 27 member states that are located primarily in Europe.
- ❖ The EU has developed an internal single market to facilitate trade between member countries.
- ❖ Negotiations for a comprehensive Free Trade Agreement (FTA) between the EU and India were launched in 2007 and suspended in 2013 due to a gap in the level of ambition between the EU and India.

○ Association of South East Asian Nations (ASEAN)

- ❖ ASEAN has a membership of 10 countries, namely Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

❖ Economic cooperation:

- ◆ ASEAN is India's fourth largest trading partner.
- ◆ India's trade with ASEAN stands at approx. 10.6% of India's overall trade.