Unit 1:Trade and Investment (GE 404)

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Introduction

- India adopted' an inward looking 'strategy of industrialisation.(encouraging domestic production).
- Trade policy has played significant role in development of advanced countries. In India it became a part of general economic policy development only after independence
- India's International trade policy had the direct effect of limiting participation in world trade.
- The trade policy changes in the post 1991 period sought to minimise the role of quantitative restrictions and substantially reduce tariff rates.
- Trade plays a significant role and acts as an engine of growth.
- Investment on the other hand is necessary for managing balance of payments and also effects the value of rupee.

India's Trade Policy

First Phase: From 1947-48 to 1951-52

Import policy continued to be restrictive

Second Phase:1952-53 to 1956-57

Liberalisation of foreign exchange as a goal of trade policy

Third Phase :1957-58 to June 1966

Trade policy was reoriented to meet planned economic development ; Restricted import policy and vigorous export promotion drive

Fourth Phase: after devaluation of rupee in June 1966

Trade policy attempted to expand exports and strangely liberalize imports; Export Promotion Advisory Council was established

Last Phase:1975-76

Policy of Import liberalization with export promotion was adopted by the govt.

India s Trade Policy ,1991(Reform Period)

P.Chidambaram announced a major overhaul of trade policy :-

I. Suspension of Cash Compensatory support
II. An enlarged and uniform REP(replenishment)rate of 30% on FOB(Free on Board) value.
III. Abolition of all supplementary licenses
IV. Abolition of unlisted OGL(open general license)
V. Removal of all import licensing for capital goods and raw materials.

The Government decide while all the essential import goods like POL(Petroleum,oil,lubricants),fertilizer and edible oil should be protected all other import with enlarging and liberalizing the license system.

New Trade Policy substantially eliminates licensing, quantitative restrictions and other regulatory and discretionary control.

Some highlights of the present Foreign Trade Policy 2015-2020

- India to be made a significant participant in world trade by 2020
- Commerce Minister announced two new schemes in Foreign Trade Policy 2015-2020 Two New Schemes announced in FTP Are MEIS & SEIS. FTP 2015-20 introduces two new schemes, namely "Merchandise Exports from India Scheme (MEIS)" and "Services Exports from India Scheme (SEIS)".
- Merchandize exports from India (MEIS) to promote specific services for specific Markets Foreign Trade Policy.
- For services, all schemes have been replaced by a 'Services Export from India Scheme'(SEIS), which will benefit all services exporters in India.
- FTP would reduce export obligations by 25% and give boost to domestic manufacturing.
- Incentives (MEIS & SEIS) to be available for SEZs also. FTP benefits from both MEIS & SEIS will be extended to units located in SEZs. – Both MEIS and SEIS firms and service providers can now get subsidized office spaces in SEZ (Special Economic Zones), along with other benefits. With a view to boost the Special Economic Zones, Government has decided to extend both the incentive schemes for export of goods and services to units in SEZs.

- E-Commerce of handicrafts, handlooms, books etc., eligible for benefits of MEIS. E-Commerce exports up to Rs.25000 per consignment will get SFIS benefits.
- E-Commerce Exports Eligible For Services Exports From India Scheme. – As part of Digital India vision, mobile apps would be created to ease filing of taxes and stamp duty, automatic money transfer using Internet Banking have been proposed. Online procedure to upload digitally signed document by Chartered Accountant/Company Secretary/Cost Accountant to be developed.
- Agricultural and village industry products to be supported across the globe at rates of 3% and 5% under MEIS. Higher level of support to be provided to processed and packaged agricultural and food items under MEIS.
- Branding campaigns planned to promote exports in sectors where India has traditional Strength.
- Calicut Airport, Kerala and Arakonam ICDs(Inland Container Depots), Tamil Nadu notified as registered ports for import and export.
- Vishakhapatnam and Bhimavarm added as Towns of Export Excellence.

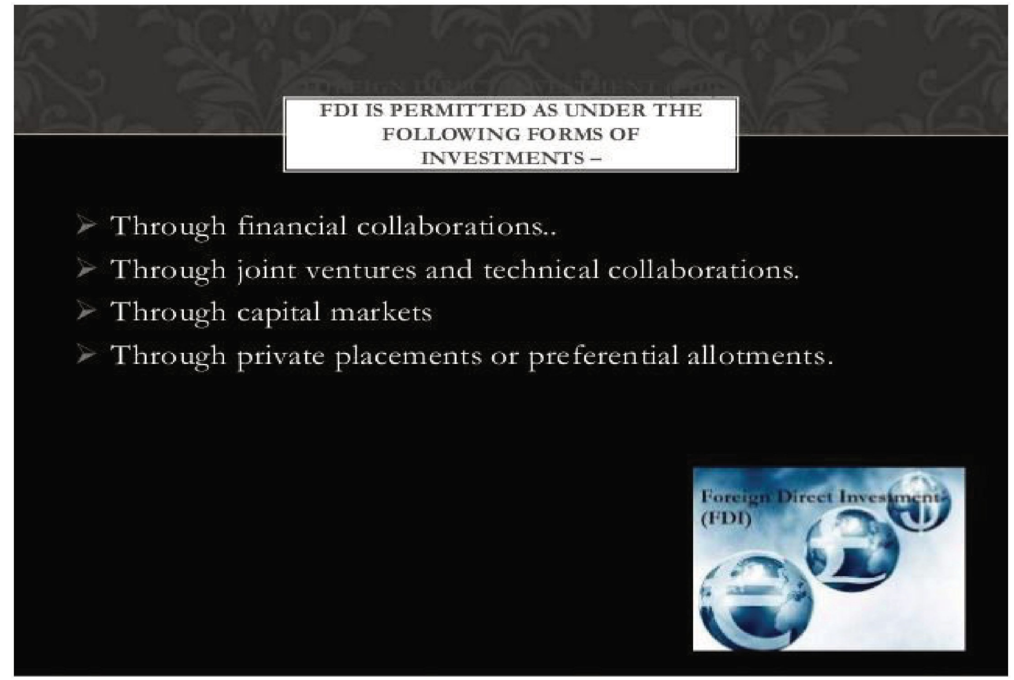
FOREIGN INVESTMENT

•Foreign investment involves capital flows from one country to another, granting extensive ownership stakes in domestic co The country has faced elevated trends of the foreign direct investment due to building investor-friendly climate in the country, thereby enabling the ease of doing business, companies and assets.

•Importance of FDI Foreign direct investment is critical for developing and emerging market countries. Their companies need the multinationals' funding and expertise to expand their international sales. Their countries need private investment in infrastructure, energy, and water to increase jobs and wages.

•For a multinational corporation, FDI in India is a means to access new consumption and production markets, and thereby expand its influence and business operations. It can gain access not only to limited resources such as fossil fuels and precious metals, but also skilled and unskilled labour, management expertise and technologies. FDI also enables an organisation to lower its cost of production- by accessing cheaper resources, or going directly to the source of raw materials rather than buying them from third parties. Often, there are various tax advantages that accrue to a company undertaking FDI. This can occur when the home country allows tax deduction on foreign income, or when the recipient country allows tax deductions and benefits for organisations incurring FDI in that country. Additionally, this can happen when the recipient country has a more beneficial tax code than the home country.

Things to know about FDI:-



THANK YOU!