

IMT-19

INDIAN FOREIGN TRADE

Notes:

- Write answers in your own words as far as possible and refrain from copying from the text books/handouts.
- Answers of Ist Set (Part-A), IInd Set (Part-B), IIIrd Set (Part – C) and Set-IVth (Case Study) must be sent together.
- Submit the assignments in IMT CDL H.O. along with the assignments Question Papers for evaluation .
- Only hand written assignments shall be accepted.

<u>A. First Set of Assignments</u>	5 Questions, each question carries 1.5 marks.
<u>B. Second Set of Assignments</u>	5 Questions, each question carries 1.5 marks.
<u>C. Third Set of Assignments</u>	5 Questions, each question carries 1.5 marks. Confine your answers to 150 to 200 Words.
<u>D. Forth Set of Assignments</u>	Two Case Studies : 7.5 Marks. Each case study carries 3.75 marks.

SECTION - A

- What are the objectives of Foreign Trade Policy (FTP: 2009 – 14) of India?
- Briefly describe the major steps taken for liberalisation of trade in India.
- Describe the incentives given to exporters under Market Development Assistance (MDA) Market Access Initiative (MAI) to promote exports from Indian economy.
- Critically analyse the impact of globalization on foreign trade of Indian economy?
- Distinguish between (a) Physical and deemed exports (b) Countertrade and consignment sale.

SECTION - B

- Describe the features of Duty Exemption and Duty Remission Scheme.
- Why is India facing a high current account deficit since last five years? How can it be controlled?
- Briefly describe the features of Export Promotion Capital Goods Scheme.
- What is the Market Linked Focus Product Scheme (MLFPS)? State the incentive given under it during the FTP: 2009 – 14.
- Compare current composition of export and imports of the Indian economy with 1950s.

SECTION - C

- Describe the role of Indian Trade Promotion Organisation (ITPO) in export promotion.
- How far have special economic zones (SEZs) helped in promotion of exports in India?
- Do you think FDI should be allowed in multi-brand retail in India? Why?
- Describe the measures taken in the Foreign Trade Policy (2009 – 14) for promotion of marine exports.
- What privileges are given to the Star Export Houses?

CASE STUDY - 1

Exports of Agro Processed Food

The average rate of growth of food processing sector during the first four years of the 10th Plan period was @13.25% at current prices and @ 6.75% at 1999-2000 prices. In the 11th Plan, the Ministry proposes to launch a revamped Infrastructure Scheme under which it will promote setting up of Mega Food Parks, cold chain infrastructure, value added centres and packaging centres. The Mega Food Park Scheme will provide backward and forward linkages as well as reliable and sustainable supply chain. The emphasis will be on building strong linkages with agriculture and horticulture, enhancing project implementation capabilities, increased involvement of private sector investments and support for creation of rural infrastructure to ensure a steady supply of good quality agri/horticulture produce. It will provide a mechanism to bring farmers, processors and retailers together and link agricultural production to the market so as to ensure maximization of value addition, minimize wastages and improve farmers' income. The Mega Food Park would be a well-defined agri/horticultural-processing zone containing state of the art processing facilities with support infrastructure and well established supply chain. The primary objective of the proposed scheme is to facilitate establishment of integrated value chain, with processing at the core and supported by requisite forward and backward linkages. It is envisaged that the implementation of the projects would be assisted by professional Project Management Agencies (PMA) from concept to commissioning. In 11th Plan it is planned to support establishment of thirty (30) Mega Food Parks in various parts of the country.

Vision 2015 - A vision, strategy and action plan has also been finalized for giving boost to growth of food processing sector. The objective is to increase level of processing of perishable food from 6% to 20%, value addition from 20% to 35% and share in global food trade from 1.6% to 3%. The level of processing for fruits and vegetables is envisaged to increase from the present 2.2% to 10% and 15% in 2010 and 2015 respectively. The Cabinet has approved the integrated strategy for promotion of agri-business and vision, strategy and action plan for the Food Processing Sector, based on the recommendations made by the Group of Ministers (GOM).

An Integrated Food Law, i.e. Food Safety and Standards Act, 2006 was notified on 24.8.2006. The Act enables in removing multiplicity of food laws and regulatory agencies and provide single window to food processing sector. Ministry of Health & Family Welfare has been designated as the nodal Ministry for administration and implementation of the Act.

The Ministry has set up a National Institute of Food technology Entrepreneurship & Management (NIFTEM) at Kundli (Haryana). The Institute will function as a knowledge centre in food processing.

Between 1991 to November 2006 the total inflow of foreign direct investment in the food-processing sector accounts Rs 52.7 bn (US\$ 1.2 bn). The highest investment towards the food-processing sector in a single year was recorded in 2001-02 amounting to Rs 10 bn. During the last five years, FDI witnessed an inflow of over Rs 24 bn of foreign investment.

During the last five years Maharashtra received the highest share of FDI in food processing. The dairy and consumer industries received FDI worth Rs 2.7 bn each as foreign investment. Countries of European Union such as Netherlands, Germany, Italy and France contribute nearly 30% of FDI in food-processing sector. Perfetti, Cadbury, Godrej-Pilbury, Nutricia International, Manjini Comaco are some of the successful ventures from EU countries.

Major Food Processing Companies in India

Major MNCs	Major Indian Companies
Nestle, Pepsi, Coke, Kelloggs, Conagra, Unilever, Perfetti, Glaxo Smithkline, Heninz, Wyeth, Ajinomoto, Nissin met, Walmart	ITC, Dabur, Britannia, Parle, Amul, Haldiram, Godrej, Venky's

With the advent of the multinational companies in the Indian market the competition in food processing industry has increased. These multinational companies are facing tough competition from strong Indian brands. Such competition has obviously increased innovations. It has also facilitated a sustained growth of the sector and improved global competitiveness. The emerging new growth phase of the sector is just in its initial stages with the potential for India to emerge as a leading food supplier to the world.

Questions

1. Discuss the strength and weaknesses of the Indian agro processing industry in relation to the international market for agro processed foods.
2. Describe the role played by the government in the development of agro processing industry.

CASE STUDY - 2

India's exports surged 37.5% in 2010-11—their fastest annual growth since independence—despite a strong rupee and weak demand in developed markets. The country shipped goods worth \$245.9 billion during the year as attempts to diversify markets and increase regional trade paid off. Exports surpassed the government's initial target of \$200 billion. This is the highest annual percentage growth in exports (in dollar terms). Exports in March added to \$29.1 billion, highest for a single month so far. The base effect, however, contributed to a part of the rise.

Exports had fallen 3.5% in 2009-10 because of the global financial crisis. Robust growth in exports and slower rise in imports helped the government contain trade deficit at \$104 billion as against a worrying mid-year estimate of \$130 billion.

New Markets Drive Growth

Imports rose 21.5% to \$350.5 billion in 2010-11. The strong growth was driven by higher exports to new markets in Latin America, Africa and Asia.

"There was a slump in global demand in 2009 and the initial months of 2010, especially in the traditional markets, and we felt that there was a need to reach out to new destinations," the minister said. The government had announced incentives for shipments to 41 markets, most of which were new trading destinations for the country. Exports to Latin America were up 74% in the first three quarters of 2010-11 compared with the year-ago numbers while those to African countries jumped 50%.

Exports to the EU and US—traditional markets for Indian merchandise—grew a more modest 22.6% and 26.4%, respectively. "Most of the growth has come from new markets in Latin America, Africa and also Asia, which has now

emerged as the main market for India's exports," said Ajay Sahai, director-general of the Federation of Indian Export Organisations. The thrust on new markets is likely to continue in the export strategy to be announced by the commerce ministry later this month, which will aim at increasing the country's exports to \$450 billion over the next three years.

Questions

1. In the light of the case compare the change in the destinations of India's exports from and imports to India in the last decade with the period before liberalisation?
2. Discuss the reasons for rapid growth of exports from India in 2010-11.
3. Identify some goods and services from your viewpoint that have export opportunities for major markets. What steps can be taken to promote their exports?