ON INDIA'S TRADE POLICY FOCUS

The Hindu

Paper - III (Indian Economy)

India's goods exports rose for the third successive month this June, growing 2.55% to $35.2 billion. Imports grew 5% to $56.2 billion, receding from May's seven-month peak of nearly $62 billion. The trade deficit, despite rising 9.4% from last June, has cooled slightly from the previous month. The oil deficit, which had hit a record $13 billion in May, remains a worry despite narrowing to $10 billion. Petroleum exports fell 18.3% to $5.5 billion, and were below May's tally by almost the same extent. With oil prices virtually unchanged over the last two months, this signals a drop in export volumes, just as a sharper 19.6% rise in June's oil imports suggests a domestic demand spike. Overall oil imports have risen over 23% in the April to June quarter, with global prices about 9% higher than a year ago. The oil deficit accounts for almost half of the first quarter trade deficit of $62 billion in the first quarter, which is 10.9% over that of last year.

The value of gold imports fell 38.7% in June to $3.06 billion, the lowest so far in 2024-25. But silver imports, which have been rising sharply, jumped 377% in June. The government must investigate concerns about disruptions in India's bullion market due to concessional duty imports through the GIFT City under the free trade pact with the United Arab Emirates. Alongside, a sustained decline in India's gems and jewellery exports, which contracted for the seventh successive month in June, needs attention. The import bill, beyond oil and gold, has risen about 3% so far this year, from a 10% dip in the same quarter last year, with growth accelerating to 7% in June, indicating a recovery in discretionary domestic demand — a good omen for the economy. India's trade policy focus must stay on boosting exports rather than checking the deficit which has been termed a natural corollary of growing faster than the world. It is notable that at least 19 of India's top 30 export sectors have grown over May and June, from just 13 in April. Waning global inflation, and likely interest rate cuts can fuel demand, and the International Monetary Fund has raised its trade volume growth hopes to 3% in 2024 from 0.3% last year. For exporters to fully tap this opportunity after a rough year, and create more jobs in the process, the Centre must provide adequate resources as well as certainty for the sector, be it for the duty remission scheme or the interest equalisation scheme. Sudden policy shifts such as the recent scrapping of the latter scheme for all exporters, except for smaller firms (which have been promised support for only two more months), are certainly avoidable.

Expected Question for Prelims

Que. Consider the following statements regarding India's foreign trade in June, 2024-

1. Gold imports have increased in June.
2. Trade deficit has increased by 9.4 percent compared to last June.

Which of the statements given above is/are correct?

(a) Only 1 (b) Only 2

(c) Both 1 & 2 (d) Neither 1 nor 2

Answer : B

Mains Expected Question & Format

Que.: While discussing India's current foreign trade policy, also mention the shortcomings present in it.

Approach to answer:

- ❖ In the first part of the answer, discuss the major provisions of the current foreign trade policy.
- ❖ In the second part, also analyze the shortcomings present in the foreign trade policy.
- ❖ Finally give a conclusion giving suggestions.

Note: - The question of the main examination given for practice is designed keeping in mind the upcoming UPSC mains examination. Therefore, to get an answer to this question, you can take the help of this source as well as other sources related to this topic.