PREFACE

International Trade is instrumental in equalizing factor prices and results in a more efficient allocation of resources. It promotes capital formation and brings sectoral and external economies in the industrial activities in the country. It strengthens the relations, both economic and political, with the other trading countries and provides an opportunity to enter into customs union which bring forth trade creating and trade diverting benefits. It promotes the hidden talents of entrepreneurs and thus augments the comparative advantages in a country. Trade is as old as human society itself as no man, and more so, no society, could ever be self-sufficient. In the ancient period, trade was in the form of barter, but afterwards, not only trade changed from money but from inter-regional to international. International trade, more than even before, is the driving force of economic activity. Economic theorists recognize that the central process of economic growth not only depends upon accumulation of material resources but also on foreign trade. Trade has been regarded as one of the most important tool of international economic relations, despite marginal and insubstantial deviations. The economic well being of most countries, especially the smaller one is affected by their international trade position.
It has been well recognized that development cannot be imported from abroad and has to be propelled by own efforts. A country has to look at problem of foreign exchange in best possible manner. The unfavourable balance of payment situation can be managed temporarily by borrowings from abroad, grants, foreign investment in domestic economic activity, running down of foreign exchange reserves and increasing surplus on account of invisibles and remittances. The depletion of reserves would eliminate cushion, while large scale borrowings abroad would give rise to heavy burden debt services. This situation is evidenced in the present day debt crisis of many Asian and Latin American countries. Foreign participation in domestic economic activities involves remittances of profits and eventual repatriation of capital. In case of foreign aid, source of supply is often restricted to market of the lender and prices are invariably marked up by the sellers in the lending countries. It might also be difficult to increase surplus on account of invisibles and remittances in the short-run. The alternative available for less developed countries is to reduce imports. But many imports, such as petroleum, high technology industrial goods crucial to developmental process of these countries. Therefore, the only option that remains is to manage balance of payments either by stepping up exports or by adopting import substitution strategy or inward looking strategy.
Since the inception of the planning era, India’s foreign trade has made new strides in different directions. New markets have been explored, new items have been added to the export basket and traditional commodities like leather, tea, jute manufacturers, etc. have been marketed with more value added to them.

On the import front, developmental imports have predominated accompanied by phases of import clubs and controls as well as liberalization. These changes had taken place parallel to economic development more often as a prerequisite arising out of the needs and priorities of the economy moulded through different Governmental policies and other factors such as economic and political conditions prevailing in the domestic economy and the rest of the world. As a result, there emerged the spatial structure of India’s trade with rest of the world which is not the same in pattern which had existed at the beginning of the planning period.

International trade relations constitute the single most important plank of the EUs External Relations. After having established common external customs tariff, as a corollary to its internal customs union, the European Union embarked on the road of a common trade policy. The European Union had taken its place on the world stage as a trading partner in its own right and constituted, as a matter of fact, one of the largest trading blocks in the world.
Foreign trade makes an important contribution to economic growth in both the EU and India and bilateral trade has been the bedrock of the Indo-EU relationship. Over the years, the European Union has emerged as India’s largest trading partner with a share of 30 percent if its global exports in 2008-09 and almost 27 percent of its imports coming from EU. Over the past decade, EU has become a major destination for India’s products and a source of supplies for the critical imports including important raw materials and investment goods.

In this study, an attempt has been made to investigate the India’s Trade relations with major trading partner countries since 2001.

The whole study has been divided into seven chapters. The first Chapter is Introductory. Chapter two Deals with the India’s Foreign Trade Policy. Chapter Three is Related with India’s Foreign Trade with EU Countries. Forth Chapter is Devoted to Foreign Trade with Major EU member Countries. Chapter five is Related with India’s Trade with OPEC. Sixth Chapter is devoted to India’s Trade with USA. Last Chapter Seven Sums up the Entire Study. An attempt has been made to offer some suggestions for improving India’s Trade Relations with Major trading Partner Countries.

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