

2. What is Balance of Payment with its components? What are the factors affecting balance of payment of a country.
3. Write in detail all the contractual modes of entry in foreign markets with examples.
4. New RBI data on India's Balance of Payments (BoP) for 2017-18 show current account deficit (CAD) at \$48.72 bn, the highest since the record \$88.16 bn of 2012-13. With CAD expected to widen to \$75 bn during this fiscal, how vulnerable is the overall BoP position today?

Let's start with foreign exchange reserves. Are they sufficient now?

India's forex reserves, at \$424.55 billion as on March 2018, are actually the eighth largest in the world. Also, they can finance 10.9 months of imports, compared to 7.8 months in March 2014. Any allusion to a "crisis" from that standpoint is highly misplaced; the RBI's current forex war chest is clearly sufficient, both to meet immediate import needs and to stave off a run on the rupee of the kind that was seen during May-August 2013.

So, when economists speak of India's BoP vulnerabilities, what exactly are they trying to say?

Countries generally accumulate reserves by exporting more than what they import. India has always had deficits on its merchandise trade account, with the value of its imports of goods far in excess of that of exports. At the same time, the country has traditionally enjoyed a surplus on its 'invisibles' account. But with the invisibles surpluses not exceeding trade deficits, has resulted in the country consistently registering CADs.

Question: As per the article, India has been facing Trade deficits from a long period of time. How government is managing this deficit and what measures they should take to reduce it.