

# Trend of Trade Policy of India: A Study of Post Globalization Period

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## ABSTRACT

Foreign trade plays a very significant role in the economic, social, political and cultural life of nationals. Foreign trade is the way of economic development for every country especially for developing country like Indian. Given the multiplicity of social-economic permutation and combination, every country endeavors to protect and nurture its own interests first. International trade is becoming complex and highly competitive activity which has played a pivotal role in accelerating the pace of development. In the process of serving their own interest, the countries after create hindrances and try to lessen imports which provide subsidies and other benefits to their exporters for promoting them to export more. The countries world over are adopting various strategies to develop their industries and services such a way that they become self-sufficient and still generate some exportable surpluses. In the process many countries are gradually opening up their market and are trying to complete and beat them in the market. India is also one of these countries.

Foreign Trade is a vital sector of a country's national economy and contributes substantially to the economic welfare of the people and the development of resources. Economies of scale and international specialization as also the fruits of scientific and technological process in the world become more easily accessible through the foreign trade(1). In the context of planned economic development of developing nations an appropriate trade policy has become very necessary and significant. Today no country in the world is self-sufficient in the sense that it does not possess facilities for economical production of all the goods services that are consumed by its people. Probably no country can produce all the goods that it needs. Therefore, there is need to trade with others(2). Developing country needs more goods to feed a rapidly growing population. Exports can be a leading sector in growth(3). This means that higher earnings from higher marketability of a country's commodities in the international market would stimulate the indigenous industrial activity in the country. This in turn brings many distinct benefits viz., greater utilization of resources, large employment opportunities, more foreign exchange etc. Scholars states that trade would make the country as a whole better off(4). Foreign trade would make an impressive contribution to a country's development. It is considered to be not simply a device for achieving production efficiency but it is also an engine of growth(5). When trade is introduced into a primitive economy, it acts as a dynamic force widening the extent of the market and the scope of "division of labor"(6). Foreign trade also facilitate the dissemination of technical knowledge, transmission of idea, import of know-how, managerial talents, and entrepreneurship. In addition foreign trade encourage movement of foreign capital.

In totality, foreign trade can have a profound impact on the growth of an economy in terms of production, employment technology, resources utilization and so on.

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## 1. Introduction

In general terminology Foreign Trade Policy is also called as Export Import Policy or EXIM policy. The Export Import Policy is formulated by a country regarding the exports imports goods and services with the other countries of the world. Trade policies are formulated by the government of any country according to domestic need and financial strength of that country or economy. Foreign Trade Policy regulates process of import and export in very systematic and arranged manner.

Generally foreign Trade Policy can be divided into two parts:

(1) The free trade policy (2)The protective trade policy

(1) The free trade policy: - It refers to that trade policy where restrictions on exchange of goods and services are completely nil among the nations. Under free trade policy there services are no provisions

regarding the tariff, quotas, taxes and subsidies on production factors use and consumption. Theoretically there are several advantages of free trade policy but mostly for about the developing countries the free trade policy does not proved much production and beneficial.

(2) The protective trade policy:-It refers to that trade policy where restrictions are imposed on exchange of goods and services among the nations. The main motto of adopting protective trade policy to protect the domestic economy from the foreign competition. Under protective trade policy too much of restrictions like taxes, quotas, duties, tariffs are imposed on the imported and exported goods. There is no permission for foreign trade and domestic traders to do foreign trade. Thus the domestic producers are suffered by

heavy losses, may also cause the situation of over production, scarcity of goods, unemployment, Poverty by which the overall economic growth rate of the country go slow.

Right after the independence of India from 1950- 1990, India economy was also implemented the protective trade policy but after 1991 Indian economy got free and LPG Model was implemented by the Indian economy through LPG model various sector of Indian economy got free except some sectors.

### Trade policy of Government of India:-

Under this topic we will discuss about the foreign trade policy of government on Indian. This discussion is best divided into two periods:-

The Pre-Reform period (i.e. the period prior to 1991) The reform period (i.e. that period after 1991)

### The pre-reform period:-

#### A. Import policy:-

The import policy of the government of India at the pre-reform period has two important components.

Import Restrictions Import substitution **Import Restrictions**

During the second five year plan (which was started in 1956-1957) government of India was adopted Mahalanobis Model of economic growth to encouraging large-scale industrialization in the country. Towards the process of industrialization, the government had to import industrial raw material, intermediate goods, technical knowledge, spare-parts, components, machinery, plant, equipments capital goods etc. in large scale and consequently a substantial increase in foreign exchange expenditure on the other hand to overcome the shortage of food grains, government of India had to also import food grains from different time interval. As against this the export earnings continued to be stagnant. Thus the Indian economy trade and subsequently adverse balance of payment. Therefore, the history of severe import restrictions in the Indian economy starts from the year 1956-57. Due to acute shortage of foreign exchange, policy makers opted the policy of direct allocation of foreign exchange among different users and uses through import licenses. According to Tendulkar and Bhavani "Quantitative Restrictions were selective in the sense that the specified ceiling limits were different from the imports of different items depending on the perceived importance in the development strategy. For example limits of allocation of foreign exchange were high and liberal in the situation of capital goods imports and zero, low, or rigid for the imports of non essential restrictions policies imposing of import restrictions policies imported goods. For the imposing of import restrictions policies imported goods were categorized into different category such were:-

**Non-permissible:** Goods belonging to this category were totally banned as regard to foreign trade.

**Limited permissible:** Goods belonging to this category were permissible for the foreign trade with mandatory certification and mandatory clearance from the chief controller of imports and exports.

**Automatic permissible:** Goods belonging to this category were permissible for the foreign trade without mandatory certificate trade without mandatory certificate but with clearance from the chief controller of imports and exports.

**Open general license (OGL):** Goods belonging to this category were permissible for foreign trade without mandatory certificate and without mandatory clearance from chief controller of imports and exports.

Thus the licensing system in economy has begun.

### Import substitution

Import substitution was a trade and economic policy of government of India which was advocated replacing foreign imports with domestic production. Import substitution was based on the premises that a country should attempt to reduce its foreign trade dependency through the local production of products. Again imposed import substitution implies indigenous production of raw material, intermediate goods and final consumer goods, capital goods that had until now import substitution policy of government of India were

To save scarce foreign exchange to limiting the import for only important goods.

To achieve self-reliance in the production of more goods as possible.

### B. Export policy

According to Bimal Jalan Pre-reforms period's Export policy of government of India has divided into three categories such as,

**Phase I:** Was mostly characterized by export- pessimism with a stagnant demand for export.

**Phase II:** Covered the period starting from 1973 and continued for a decade. In this phase government of India has accepted that only import substitution policies could not solve the problem of balance of payment itself, so, in this phase export were according high priority and the policies were followed accordingly. Therefore in this phase export growth increased considerably.

**Phase III:** experienced a more positive approach to export promotion strategy. During this phase government of India has taken several steps for improving the quality of products and marked them as per international level and exports were recognized as an internal part of agriculture, industrial and development policies of. Improving the conditions of balance of payment, the government has been taking certain measures for exports promotion since the third plan period.

Various exports promotion measures introduced by the government were mainly as follows.

- 1. Cash compensatory support:** this policy was introduced in 1966. This policy was formulated to given compensation to those exporter where mere paid unrelated indirect taxes on inputs.
- 2. Fiscal concession for exports:-** there were two kinds of fiscal concession allowed to promotion of exports, first one was concerned to indirect taxes. As far as concession related to indirect taxes, these concessions were incorporated in the duty drawback system and the regime of cash compensatory support. On other hand second one was related direct taxes. As far as fiscal concession related to direct taxes, these concession were incorporated as earning from exports were either partially exempted from income tax or taxed at lower rate.
- 3. Duty drawback system:** Under the provision of duty drawback system, when exporters were paid any

taxes, duties, or tariff on the inputs and intermediate goods which were used in the production of exported goods, was reimburse to the exported and also reimbursement was made for central excise duty and custom duty paid on exported goods.

**4. Blanket Exchange permit scheme:** This scheme was introduced by government of India in June 1987 for export promotion. According to this scheme exporters were permitted to utilize 5-10 percent of their foreign exchange earnings for export promotion activities in the country.

**5. Import Replenishment scheme:** In order to provide facilities to exporter regarding import of raw material which will use in the production exported goods, this scheme was introduction in 1957. Under this scheme import licenses were allotted to exporters in the ratio of their exports. There was 70 to 80 percent premium on these import licenses.

**6. Export credit and Assistance to Export promotion councils:** Export credit and assistance were granted to export promotion councils for the following purpose:-

- Market research, commodity research, area research etc.
- Export publicity
- Dissemination of information
- Trade delegations and teams
- Participation in trade fair and exhibition.
- Establishment of offices and branches in countries, abroad.
- For any other schemes or programs which would promote the development of market for Indian goods and services abroad.
- Research and development schemes

#### **7. Export Processing zones and 100 percent Export oriented Units:-**

Export Processing zones and 100% Export oriented are set up as enclaves separated from the domestic tariff area by both physical and procedural barriers and are intended to provide a duty free and incentive- oriented environment for export production at low cost internationally competitive terms- both in the terms of price and quantity and since at least 75% of the goods produced have to be exported, the unit can dedicate themselves to increasing exports and earn foreign exchange for the country.

#### **8. Subsidies on domestic raw materials:-**

In this category the most important scheme was the International Price Reimbursement scheme for steel. This scheme equalized the difference between international and domestic prices of steel which were obtained from the Indian domestic market.

**9. Advance licenses and Duty Exemption Scheme:-** Duty exemption scheme enable duty free import of inputs required for export production. An Advance license is issued as a duty exemption scheme. A Duty Remission scheme enables port exports replenishment/remission of duty on inputs used in the export product.

## **2. The Reform Period Trade Policy of India Since -1991**

Up to 1991 the Indian economy is under the protection of heavy tariffs and duties. Generally these were 200% and also there was extensive imposition of quantitative restrictions. Also Government of India was not given permission for the foreign investment in India. In 1991 the Indian economy got free and liberalised. The restrictive policies abolish almost all the sectors of economy except some sectors. After 1991 the foreign trade has got remarkable achievement in the GDP of India which increased from 15% from 1991 and in 2005 the % shares of foreign trade in the total GDP was 35%, again in 2012-13 it was 43%.

After 1991 Government of India has adopted liberalised foreign trade policy. Some liberalisation steps were taken by the Government of India according to the need of Indian economy to build up domestic market more competitive in international market, some were undertaken under the pressure of the international agencies as a part of the international agencies as a part of the stabilisation and structural adjustment programme.

Moreover when India joined the WTO in 1995 as a founder member it has become an obligation to eliminate all quantitative restrictions on import and reduce import tariffs and so as to open up the economy to world trade and start the process of globalization:-

The massive trade liberalization initiatives adopted after 1991 mark a major departure from the relatively protectionist trade policies pursued in earlier years. The current trade policy mainly guided by the LPG model. The main objective of current trade policy are globalisation of Indian economy improving competitiveness of industries and improving adverse balance of payment situation.

The main features of the new trade policy as it has evolved over the years since 1991 are as follows-

- 1. Free imports and exports -** the tariff line voice import policy was first announce on March 31st 1996 and at a time itself 6161 tariff lines were made free. till March 2000 this total had increased up to 8066 the excise policy 2001 to 2002 eliminated quantitative restrictions Indian government has completed her commitment with world trade organisation. now want 88 world trade organisation now quantitative restrictions on all import items have been withdrawn and made Indian import and export freer.
- 2. Rationalisation of tariff Structure -** as per the recommendation of the chelliah committee the government had over the years reduced the maximum rate of duty. in the 1993 to 1994 budget comment had in the 1993 to 1994 budget government had reduced duty from 110 percent to 85 percent . the upcoming budget had reduce the duty further in stages. the peak important duty all non agriculture goods is now only 10%.
- 3. Decanatisation-** before the implementation of the new foreign trade policy their fare last number of goods were traded (important& export) through the public sector agencies in India the supplementary trade policy announced on August 13 1991 made revision of these canalised items and decanalised number of items such as national rubber , raw materials for fertilizers , intermediate goods , non

ferrous metals, news prints. however 8 items that is petroleum products , fertilizers , edible oils ,cereals etc were to remain cenalised. the export import policy, 2001 to 2002 put 6 items under cenalised list which were rice, wheat, maze, petrol, diesel and urea.

4. **Convertibility of rupee on current account-** another foreign trade measure protected in Indian economy was convertibility of rupee.

Rupee was made partially convertible by government of India in the 1992-93 budget . This was a strong news for integration of Indian economy with the world economy subsequently, rupee was made for full convertibility on current account in August 1994. At the present the exchange rate of rupee in India now market determined (since march 1993). in this system of determination of exchange rate of rupee now supply and demand forces are played important role.

5. **Trading Houses** - The Exim policy 1991 has given permission to establish export houses, trading houses and star trading houses towards import of wide range of items. on the other hand for the promotion of exports, the government permitted to setup trading houses with 51% foreign equity.

FTP 1992 to 97 was made provision for export houses and trading houses with the benefit of self certification under the scheme of advanced licence systems with generally permits duty free import for exports. The 3rd supplement to foreign trade policy 2004 to 09 which was announced in April 2007 , broadly divided export houses into five categories : i.e. Export houses ii. Star export houses iii. Trading houses iv. Star trading houses v. Premium trading houses Above status are given to the trading houses according to their achievements such as , the volume of exports to the tune of rupees 20 crore ,rupees 100 crore ,rupees 500 crore ,rupees 2500 crore and rupees 10000 crore respectively. These houses are got different benefits and concessions according to their categories.

6. **Special economic zone** - with a view to overcome the short coming experienced on account of multiplicity of controls and clearances, absence of world class infrastructure and unstable fiscal regime and with view too attract larger for an investments in India the special economic zones (SEZs) policy was announced in April 2000.

This policy intended to make SEZs and engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package , both at the centre and state level with the minimum possible regulation. SEZs in India function from 1.11.2000 to 9.02.06 under the provisions of dog foreign trade policy and fiscal incentives were made effective through the provisions of relevant statutes. **The SEZ rules provided for**

- 1) Simplified procedure for development and operation
- 2) Single window clearance for setting up a SEZ
- 3) Single window clearance for setting up a unit in SEZ
- 4) Single window clearance on matter related to central as well as state government
- 5) Simplified complaints procedure and documentation with the emphasis on self- certification.

7. **Export oriented scheme units (EOU)-** The export oriented scheme units introduced in early 1981. The EOU scheme is complimentary to special economic zones, free trade zones, export processing Zones. Units that are undertaking to export their entire production of goods are allowed to setup as EOU. The following are the benefits enjoyed by export oriented units:-

- (1) EOU's are eligible for reimbursement of Central Sales Tax(CST)
- (2) EOU's are eligible for reimbursement of fuels procured from domestic oil companies
- (3) EOU's are eligible for CONVAT credit. On the goods and services and refund through (4)Fast track clearance facilities
- (5) Exemption from industrial licensing for manufacture of items reserved for SSI sector
- (6) EOU are allowed to procure raw materials or capital good duty free, either through import or through domestic sources

**(7) Agriculture Export Zones:-**

Under chapter 16 of Exim policy 2001 a new concept of Agri Export Zones(AEZ) has been inserted by government of India on 11 May 2002 and it was valid till 11 May 2012. An Agricultural Export Zones or AEZ is specific geographic region in a country demarcated for setting up Agricultural based processing industries mainly for exports .APEDA has been nominated as the Nodal agency to co-ordinate the efforts on the part of Central Govt. negotiations. The concept of Agricultural export Zones thus attempts to take a comprehensive look at a particular produce located in a contiguous area for the purpose of developing and sourcing the raw materials, their processing/packaging, leading to final exports.

**(8) Market Access Initiative Scheme:-**

The market access initiative scheme was introduced in 2003 to act as a catalyst to promote India's export on sustained basis. The scheme is formulated on focus product-focus country approach to involve specific strategy for specific market and specific product. Under the scheme project based assistance is provided to Export Promotion council, Trade Promotion organisation, Apex Chamber of Commerce.

**(9) Fine Thrust Sectors:-**

Under Foreign Trade policy 2004-05, special focus is given on five sectors, these are: Agriculture, Handicrafts ,Handlooms, Gems and Jewellery, Leather and Footwear sector. For example VisheshKrishiUpajYojana was launched to boost export of fruits and vegetables, flowers, minor forest produce and their value in Agriculture sector. In handloom sector Handicraft Special Economic zone has established.

**(10) Concessions and exemptions:-**

For the liberalizing important and promoting exports government of India have been granted a large amount of tax benefits and exemption generally this concessions and exemption are as follows.

- I. Reduction in the pear rate of custom duty to 10percent.
- II. Reduction in duty rates for necessary inputs for the information technologysector
- III. Grant of concession for building infrastructure by way

of 10-year tax holiday to the developers of SEZs.

- IV. Reduction in the custom duty on some critical and specified equipment for ports development and growth of international level infrastructure facilities
- V. For the three integral parts of the convergence revolution a large amount of tax benefits has also been giving these integral parts of the convergence revolution are
  - (a) the information technology sector
  - (b) the telecommunication sectors
  - (c) the entertainment industry

According to economic survey only 5% of the national customs duties were collected in 2007-08 and the collection percentage were sent to 44.6 % in 2008-09 thus while important increased by 35.8% in 2008-09 (in rupee terms ). Collections barely rose, largely due to exemption which resulted in 5.5% of national duties being forgone in fact revenue forgone of export promotion scheme was as high as ₹59,149 crore in ₹49,053 crore in 2008-09 and ₹43,622 crore in 2009-10

### (11) Reducing transactional costs and simplifying procedures

The foreign trade policy (2004-09) announced a large number of rationalization measure to reduce transactional costs and simplify procedures. All EDI equipped ports will be treated as a single port from January 2009 to reduce procedural delays for exported and importers. The commerce ministry would also make the advance authorization scheme and the EPCG scheme EDI enabled from July this year to do away with the hassles of physical verification and registration at the customs end commerce minister kamalnath said while announcing the annual supplement to the foreign trade policy 2004-09. The government has also allowed the export oriented units (EOU) to play the duty on monthly basis rather than paying it on consignment basis. Also under EPCG scheme payment has been allowed through debit of duty credit scrips under the promotional schemes of the government the government has also given facility that the central excise to endorse supply invoice within 21 days of supply to facilitate faster clearance of deemed export benefits the government reduced the application fee for duty credit scrips and for EPCG authorization to ₹2 per thousand for getting the exports imports code number the trader will have to pay only ₹250 now instead of earlier prescribed ₹100. For getting the duty free import of R & D equipment units not registered with the excise department can now give a installation certificate from an independent chartered engineer. Earlier the certificate of excise authorities was essential. For supplementary claims, the fee has been reduced to 2% from prevailing 10% .The limit of duty free import of samples has been increased to ₹ 1,00,000 from ₹75,000.

### (12) Free Trade & Warehousing Zones:-

According to Ministry of Commerce & Industry, Directorate general of foreign trade, chapter-A.1 FTP (2015-20). –“The objective is to create trade related infrastructure to facilitate the import and export of goods and services with freedom to carry out trade and transaction in free currency. The scheme envisages creation of world class infrastructure for warehousing of various products, state-of-the-art equipment, transportation and handling facilities, commercial office space, water, power, communications and connectivity with one-step clearance of

import and export formality to support the integrated zones as 'international trading hubs,' these zones would be established in areas proximate to seaports, airports or dry. So as to offer easy access by rail and road.” Again according to chapter 7A.2 “The Free Trade & Warehousing Zones(FTWZ) shall be a special category of special economic zones with a focus on trading & warehousing:

### (13) Service Scheme From India Scheme(SEIS)

As per highlights of foreign trade policy (2015-20), Ministry of Commerce and Industry –

- (a) Served From India Scheme(SFIS) has been replaced with Service Exports From India Scheme (SEIS). SEIS shall apply to „ Service providers located in India” instead of 'Indian Service providers' of notified services who are providing services from India, regardless of the contribution or profile of the service provider. The list of services and rate of rewards under SEIS are at Annexure-2.
- (b) The rate of reward under SEIS would be based on net foreign exchange earned. The rewards issued as duty credit scrip would no longer be with actual user condition and would no longer be restricted to usage for specified types of goods but be freely transferable and usable for all types of goods and services tax.

### A Critical Overview of Foreign trade Policy

The foreign trade policy reforms started in 1991 have changed the foreign trade scenario and now the foreign trade policy in India have shifted from inward-oriented to outward-oriented policy. During the period of trade liberalisation shares of foreign trade in India's GDP has increased significantly. One to extensive programme of liberalisation, globalisation of Indian economy, the level of protection of Indian economy has declined significantly because the government has restored to a massive cutting down of tariff is, removal of quantitative restrictions etc. Now it was recognised that foreign trade policy will play leading role in development of Indian economy. Every governmental and non-governmental agencies were estimating that the growth of Indian economy will increase significantly. However in this euphoria, one should not ignore the following three issues which according to Deepak Nayyar are of fundamental of strategic importance of planning for industrialization -the relative importance of home market, the nature of degree of state invention and the acquisition or development of technology. As the discussion above shows, the foreign trade policy introduced a number of schemes promoting exports and opening up trade. However it has been criticised on number of grounds

The main criticisms are as follows:-

#### RELATIVE IMPORTANCE OF HOME MARKET:-

Under the FTP major importance has been given to foreign investment and foreign trade, however ignored the importance of home market. But it is true that sustainable development of any economy expansion of domestic trade and market is equally important to foreign trade. As far as the issue of the relative importance of home market is concerned, Deepak Nayyar has said that in large country like India where the domestic market is overwhelming important sustained industrialization can only be based on the growth of the internal

market.(Deepak Nayyar,"the foreign trade sector, planning and industrialization in India ."in Terance J. Byres(Ed.)

.The state development planning and liberalisation in India(Delhi 1997),(page. 360.)

(1) **The nature or the degree of state intervention:-** In the new trade policy neither it has been explained any where about the nature nor the degree of state intervention. If foreign trade has removed all the rules and regulations of government, there can be possible of heavy damages to the domestic traders and also domestic Indian market, because of this the speed of economic growth can be slowed down. Thus the nature or the degree of state intervention is very big issue against the liberalised economic trade policy.

(2) **Acquisition or development of Technology:-** Again this is very big matter of Criticism of new trade policy since 1991.This policy very much advocates about the foreign technology for the fast growth of Indian economy. It shows to much dependency upon foreign technology rather than development of domestic technology. As far as sustainable and continuous growth is concerned development of own domestic technology is compulsory, from this Indian economy can become self-reliable.

**DEPENDENCE ON OTHERECONOMY:-**

Excessive dependence on import may destroy the economy of the country. Again developed economy may destroy the underdeveloped economy. There is possibility of consolidation of underdeveloped economy.

**SLOW GROWTH OF DOMESTICECONOMY:-**

New foreign trade policy open door of domestic economy for foreign trade. Foreign trade may discourage the growth of domestic industries. Unrestricted imports and foreign competition might pose a threat to the survival of infant and upcoming industries in the economy.

(3) **Possibilities of misuse of natural resources:-** From

the free trade the frequency of import as well as export is increased in large amount. Excessive export is one of the major causes of quick depletion of natural resources. Foreign trade may Promote lopsided development, only those goods are produced under the economy which has comparative cost advantage for big profitable for the trader.

**POSSIBILITY OF POLITICAL EXPLOITATION:-**

Through foreign trade an economy (underdeveloped) became dependence of other economy (developed)which may threaten political independence. For instance Britishers came to India as traders and ultimately ruled the country for centuries.

**POSSIBILITY OF HARMFULGOODS:-**

Foreign trade policy facilitates free flow imports and exports among the nations with very less amount of intervention, it may cause of import of harmful goods into countries.

9) Some other criticism of foreign trade policy, 1991.

1. Possibility of Rivalry among nations.
2. Possibility of invasion of culture
3. Problem of dumping

**3. Comparative Study Of Foreign Trade Policy Of India, Pre- Reform Period V/S Post-Reform Period**

**(A) Compound Annual Growth Rate Of Exports During Pre-Reform And Post-Reform period:-**

Table-I represents the annual growth rate of India's exports during pre-reforms period as well as post- reforms period. From the table-I it is cleared that the compound annual growth rate of export in the pre- reform period was 16.44% whereas the compound annual growth rate went up to 17.66% in the post- reform period. Again from table-I it is clear that the export have increased (1.22%) during post-reform period, although the impact of economic reforms on export is not very significant but still it is positive.

**Table - I: Annual Growth Rate of Exports in Pre and Post-Reforms Period**

Annual Growth of India's Exports in Pre-reforms period			Annual Growth of India's Exports in Post-reforms period		
Years	Exports (In Rs. Cr.)	Annual Growth (in %)	Years	Exports (In Rs. Cr.)	Annual Growth (in %)
1.	2.	3.	4.	5.	6.
1970-71	1535.3	9.34	1990-91	32557.6	17.71
1971-72	1608.2	4.75	1991-92	44041.8	35.27
1972-73	1971.5	22.59	1992-93	53688.3	21.90
1973-74	2523.4	27.99	1993-94	69751.4	29.92
1974-75	3328.8	31.92	1994-95	82674.1	18.53
1975-76	4036.3	21.25	1995-96	106353.3	28.64
1976-77	5142.7	27.41	1996-97	118817.1	11.72
1977-78	5407.9	4.90	1997-98	130100.6	9.30
1978-79	5726.1	5.88	1998-99	139753.1	7.42
1979-80	6418.4	12.09	1999-00	159561.4	14.17
1980-81	6710.7	4.55	2000-01	203571.0	27.58
1981-82	7805.9	16.32	2001-02	209018.0	2.67
1982-83	8803.4	12.78	2002-03	255137.3	22.06
1983-84	9770.7	10.99	2003-04	293366.8	14.98
1984-85	11743.7	20.19	2004-05	375339.8	27.94
1985-86	10894.6	-7.22	2005-06	456417.9	21.60
1986-87	12452.0	14.30	2006-07	571779.5	25.28
1987-88	15673.7	25.87	2007-08	653863.5	14.70
1988-89	20231.5	29.07	2008-09	840755.0	28.19
1989-90	27658.4	36.71	2009-10	845534.1	0.56
			2010-11	1142922.0	33.17
			2011-12	1465959.2	28.26
			2012-13	1634318.1	11.48
			2013-14	1905011.2	16.56
			2014-15	1897026.1	-0.42
<b>Compound Annual Growth rate of Exports in Pre-reforms period = 16.44%</b>			<b>Compound Annual Growth rate of Exports in Post-reforms period = 17.66%</b>		

Source: Hand book of Statistics on the Indian Economy (Year 2009 & 2014-15) and Economic Survey of relevant years

TABLE-I

Compound Annual Growth Rate Of Import In Pre-Reforms And Post- Reforms Period:-

Table-2 represents the compound annual growth rate of import. From the table it is clear that there has been sharp increase in the import during post reform periods. From the

table it is clear that the compound annual growth rate of import was 17.56% which increase to 18.05% in the post reforms period. Thus we can say that economic reforms have increased import significantly (0.49%).

**Table-2 : Annual Growth Rate of Imports in Pre- Reforms and Post-Reforms Period**

Annual Growth of India's Imports in Pre-Reforms Period			Annual Growth of India's Imports in Post-Reforms Period		
Years	Imports (In Rs. Cr.)	Growth	Years	Imports (In Rs. Cr.)	Growth
1.	2.	3.	4.	5.	6.
1970-71	1634.2	3.28	1990-91	43192.9	22.26
1971-72	1824.5	11.64	1991-92	47850.8	10.78
1972-73	1867.4	2.35	1992-93	63374.5	32.44
1973-74	2955.4	58.26	1993-94	73101.0	15.35
1974-75	4518.8	52.89	1994-95	89970.7	23.08
1975-76	5264.8	16.51	1995-96	122678.1	36.35
1976-77	5073.8	-3.63	1996-97	138919.7	13.24
1977-78	6020.2	18.66	1997-98	154176.3	10.98
1978-79	6810.6	13.13	1998-99	178331.9	15.67
1979-80	9142.6	34.24	1999-00	215236.5	20.69
1980-81	12549.2	37.26	2000-01	230872.8	7.26
1981-82	13607.6	8.43	2001-02	245199.7	6.21
1982-83	14292.2	5.03	2002-03	297205.9	21.21
1983-84	15831.5	10.77	2003-04	359107.7	20.83
1984-85	17134.2	8.23	2004-05	501064.5	39.53
1985-86	19657.7	14.73	2005-06	660408.9	31.80
1986-87	20095.8	2.23	2006-07	840506.3	27.27
1987-88	22243.7	10.69	2007-08	1012311.7	20.44
1988-89	28235.2	26.94	2008-09	1374436.0	35.77
1989-90	35328.4	25.12	2009-10	1363736.1	-0.78
			2010-11	1683467.2	23.45
			2011-12	2345463.1	39.32
			2012-13	2669162.2	13.80
			2013-14	2715434.1	1.73
			2014-15	2734049.1	0.69
Compound Annual Growth rate of Imports in Pre-reforms period = 17.56%			Compound Annual Growth rate of Imports in Post-reforms period = 18.05%		

Source: Hand book of Statistics on the Indian Economy (Year 2009) Economic Survey of relevant years

TABLE: 2

**(B) Balance of payment Position in Pre and Post reformperiod:-**

The balance of payment position of Indian economy during pregnancy reform period and post reform period can be represented as follows:-

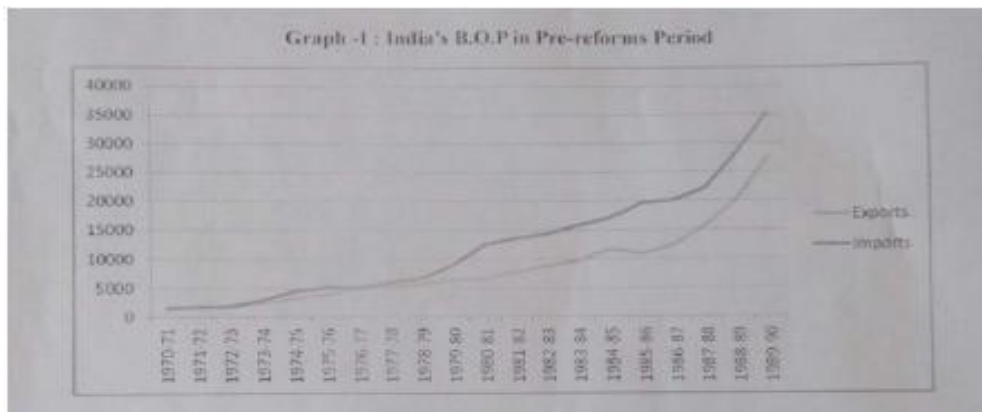
**Table -3 : India's Balance of Payment Position in Pre and Post Reforms Period**  
(in Rs. Crore)

India's Foreign Trade in Pre-reforms period				India's Foreign Trade in Post-reforms period			
Years	Exports	Imports	B.O.P	Years	Exports	Imports	B.O.P
1.	2.	3.	4.	5.	6.	7.	8.
1970-71	1535.3	1634.2	-99.0	1990-91	32557.6	43192.9	-10635.2
1971-72	1608.2	1824.5	-216.4	1991-92	44041.8	47850.8	-3809.0
1972-73	1971.5	1867.4	+104.0	1992-93	53688.3	63374.5	-9686.3
1973-74	2523.4	2955.4	-432.0	1993-94	69751.4	73101.0	-3349.6
1974-75	3328.8	4518.8	-1190.0	1994-95	82674.1	89970.7	-7296.6
1975-76	4036.3	5264.8	-1228.5	1995-96	106353.3	122678.1	-16324.8
1976-77	5142.7	5073.8	+68.9	1996-97	118817.1	138919.7	-20102.6
1977-78	5407.9	6020.2	-612.4	1997-98	130100.6	154176.3	-24075.7
1978-79	5726.1	6810.6	-1084.6	1998-99	139753.1	178331.9	-38578.7
1979-80	6418.4	9142.6	-2724.2	1999-00	159561.4	215236.5	-55675.1
1980-81	6710.7	12549.2	-5838.4	2000-01	203571.0	230872.8	-27301.8
1981-82	7805.9	13607.6	-5801.7	2001-02	209018.0	245199.7	-36181.8
1982-83	8803.4	14292.2	-5489.4	2002-03	255127.3	297205.9	-42068.6
1983-84	9770.7	15831.5	-6060.8	2003-04	293366.8	359107.7	-65740.9
1984-85	11743.7	17134.2	-5390.5	2004-05	373339.8	501064.5	-125725.0
1985-86	10894.6	19657.7	-8763.1	2005-06	456417.9	660408.9	-203991.0
1986-87	12452.0	20095.8	-7643.8	2006-07	571779.5	840506.3	-268727.0
1987-88	15673.7	22243.7	-6570.1	2007-08	655863.5	1012311.7	-356444.2
1988-89	20231.5	28235.2	-8003.7	2008-09	840755.0	1374436.0	-533681
1989-90	27658.4	35328.4	-7669.9	2009-10	845534.1	1363736.1	-518202
				2010-11	1142922.0	1683467.2	-540545.2
				2011-12	146595.2	2345463.1	-2198867.9
				2012-13	1634318.1	2669162.2	-1034844.1
				2013-14	1905011.2	2715434.1	-810422.9
				2014-15	1897026.1	2734049.1	-837023

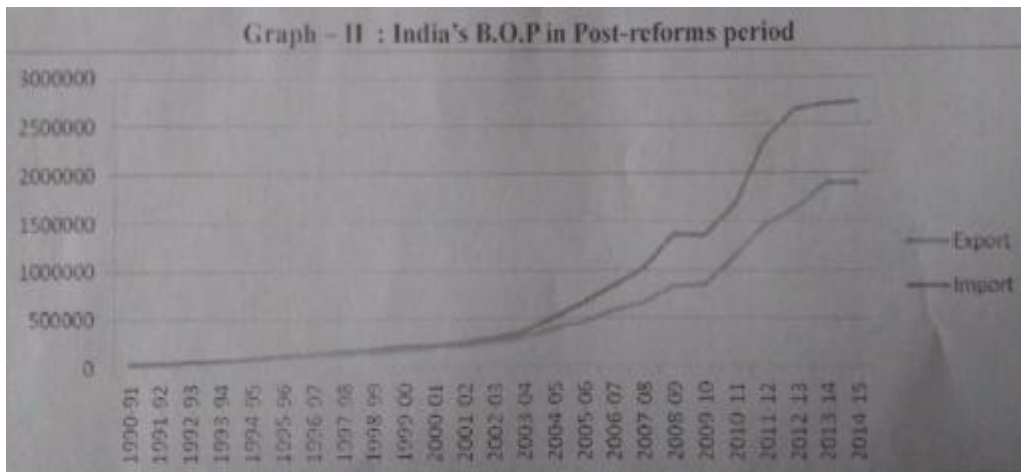
Source: Hand book of Statistics on the Indian Economy (Year 2009) Economic Survey of relevant years

TABLE:3

DIAGRAMATIC PRESENTATION OF BALANCE OF PAYMENTS I. INDIA'S B.O.P. IN PRE- REFORMS PERIOD



**INDIA'S B.O.P. IN POST- REFORMS PERIOD**



**4. Conclusion**

From the study has made here, we can clearly say that Foreign Trade policy of India playing significant role in the development of entire Indian economy. It is the world's third largest economy by purchasing power parity (PPP) and the sixth largest economy by nominal GDP. The country rank 141<sup>st</sup> in per capital GDP(nominal) with \$1723 and 123<sup>rd</sup> in per capital GDP(PPP) with \$6616 as of 2016. After 1991 economic liberalization, India achieved 6-7% average GDP Growth annually. In FY 2015-16, 2016-17, India's economy became the world's fastest growing major economy surpassing china.

The study investigates the pattern of India's foreign trade and share of India's export and import in world trade since independence. India's share in world export has shown a rising trend. Its share was continuously rose from 0.50% to 0.62% during the period from 1991 to 1997. During the period of 2009-10 its share was 1.25%of the world export. Similarly, India share in world imports has also shown a rising trend from 1990 to 2010. It was 1.82% in 1960-61. But 1969-70 it was 0.8%. This indicates that after the early stage of independence, the trend of import was decreasing due to various schemes of import- restrictions and substitutions. The import share in worlds imports in 200-01 was 0.7% and 2009-10 the- relative share was 1.9%show the increasing trend due to foreign trade policy1991. The composition of India's export and import has grown up significantly. But the import of food grains and consumer goods have decline due to adoption of HYM technology in India agriculture. Thus it can be concludes that one side the export are getting the rising share in world

economy but Indian economy has imported in large amount of goods and services on the another hand. Greater import facilities free competition and availability of better and verity of consumer goods.

But, as long as imports are higher than exports trade balance has become adverse. In fact Indian economy was opened to world economy to improve balance of payment position but so far this objective has not been achieved. The various export promotion scheme have resulted in substantial loss of revenue to the government. This loss was ₹37590 crore in 2005-06 and touched the figure of ₹53768 crore in2006-07.

While the FTP has announced a number of concession and exemptions, it says nothing on business or businessmen who avail of duty exemptions but do not fulfil their obligations.

The FTP allowed the import of non standard consumer goods as well as capital goods also. This might result in there import of old and non-standard goods from the developed countries. Import of such types of goods can become a burden on the economy. In any case it is not likely to help export at all. The most important criticism of FTP is that it fails to take a holistic view of the issues and concerns intricately connected with foreign trade or draw up a clear road map to achieve the largest export growth.

As correctly pointed out by TNC Rajagopalan, "the FTP says next to nothing about the government negotiating stance at the WTO, trade relations with neighbours, approach towards bilateral trade agreements, integration of development and globalization strategies, helping market penetration, project exports and so on.

## 5. Suggestions

Foreign trade of policy of India is good itself, it has potential to make Indian economy self- sufficient and also solve the problem of balance of payment. The problem of its

implementation and monitored Foreign Trade policy in better way, economy will must grow and FTP will also achieve its targets.

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