

ECONOMIC REFORMS OF FOREIGN TRADE AND ITS ADVANTAGES

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ABSTRACT

Export culture on the part of the policy-makers also need to be emphasized on. The tendency to think that exploring would take place in flourishing manner once the government announces a few incentives and subsidies, is quite unmistakable. What the exporter in India need is the right kind of export series and package of policies which would enable them to produce for export markets. In this context production, transport and communication, tax cum subsidy policies and marketing and information became relevant. It is rather disappointing to note that the export series available through various organizations are still inadequate. Under the Economic Reforms Policy, introduced in India since 1991. Drastic sterilization and structural adjustment programs as being put into effect to meet India's severe balance of payment crisis, and to propel its economy into quicker growth and global integration. Reforms are crucial for speeding up the pace of development of any nation. They are a means of achieving certain end though they are not the end by themselves. Limitation of the process of economic reforms in India was fronted by a severe economic compulsion when the nation faced foreign exchange rate.

Keywords – Foreign, trade, policy, India.

The greatest advantages of foreign trade have been identified centuries back by Adam's Smith. "Between whatever places the Foreign Trade is carried on, all of them derived two distinct benefits from it. It carries out the surplus part of the produce of their land and labor for which there is no demand among them and brings back in return for it something else for which there is a demand. It gives a vent to their superfluities by exchanging them for something else which may satisfy a part of their bones and increase their enjoyments. By means if it, then, the narrowness of the home market does not hinder the division of labor in any particular branch of art or manufacture from being carried to the highest perfection."

The advantages Adam Smith identifies are:

1. Expanding exports markets to liberate the domestic economy from the constraints of size imposed by the size of domestic market.
2. Production of exports allows economic of scale to be reaped, and

3. Exports providers went for surplus production.

Economic Reforms in India started in 1980s but it has got logically consistent shape only since 1991. The package of economic reforms in India consists of –

1. De-regulation and liberalization of all the markets.
2. Increasing competitiveness in all spheres of economic activities
3. Living within the means on strong budget constraint on all economic agents.

Measures undertaken under economic reforms in India include decontrol and deregulation and researching sectors, disinvestment of public sector undertaking, opening of the economy for foreign investment and steps to integrate the economy into the world system. During the post economic reform (1991-97), India made some significant achievements in economic growth, industrial production especially capitalist agriculture. In industrial sector, there is a mix response to economic reforms.

The EXIM Policy 2002-07 contains a bouquet of concession for exporters, focusing sharply on special economic zone, industrial clusters, agri-exports, infrastructural development and deduction in transaction costs. There are specific measures for encouraging exports of gems and jewelry, leather, textiles, chemicals and petro-chemicals and electronics hardware, emphasis has also made diversification of market. This EXIM Policy aims at increasing India's share in the global exports from 0.67% to 1% over this period.

This implies that the total exports will have to nearly double from \$46 billion to \$80 billion achieving a compound annual growth rate of 11.9%. The new policy has been widely hailed for its endeavor to improve export infrastructure and export production, garnishing of exports surplus, removal of quantitative restrictions on exports, attempts to reduce transaction cost procedural simplification, focused attention on export production, etc.

Besides the EXIM policy, there are several other measures having a bearing on the trade flow. Important measures in this category include the following abolition of quantitative restrictions devaluation, rupee convertibility, abolition of cash, compensatory support and EXIM script, import duty reduction and liberalization of foreign investment.

In short, the EXIM policy since 1992 acknowledges that trade can flourish in a regime of substantial freedom. It also recognizes that need for reasonable stability of the policy by making the duration of the policy five years. The policy aims at simplification transference. It is therefore, endeavor to make the procedure simple and easy to administer. It is quite in line with the economic reforms introduced in India. Due recognition of the need to get the Indian business a global orientation is very important feature of the policy.

India announced two distinct industrial policy regarding “Restructuring and Liberalization” which are as follows –

1. Statement on Industrial Policy 1991.
2. Policy measures for promoting and strengthening small, tiny and village enterprise.

The industrial policy statement has emphasized that the government shall continue to pursue a sound policy framework encompassing encouragement of internship development of indigenous technology through investment in search and development, bringing in new technology, dismantling of capital market and increasing competitiveness for the benefit of the common man. The spread of backward areas of the country will be actively promoted through appropriate incentives institutions and infrastructure development. It has also stated that foreign investment and technology collaboration will be welcomed to obtain higher technology, to increase and to expand the production base.

The policy measures for promoting and strengthening small, tiny and village enterprises includes revision of definition of the qualifying units by enhancing the financial limit for investment in plant and machinery, onetime benefit concept has been introduced for small scale units. The measures also included financial support infrastructure facilities, marketing and exports, modernization technology and quality upgradation, promotion of entrepreneurship, simplification of rules and procedures, etc.

Thus the industrial policies is the sum of a nation's effort to shape business activity and influence economic growth. Its concern is not transitory issues of industrial well beings but the long term structural integrity of a nation's industrial base. It is the government vision of a company long term strategy.

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