DOWNLOAD PDF IMPACT OF TRADE AND DOMESTIC POLICY REFORMS IN INDIA

Chapter 1 : The Impact of Trade and Domestic Policy Reforms in India

Major economic reforms undertaken since have brought the Indian economy into a new phase of development directed toward becoming globally competitive through the opening of trade, foreign investment, and technology inflows.

Additional Information In lieu of an abstract, here is a brief excerpt of the content: The economy has entered into a new phase of development directed towards becoming globally competitive through opening up to trade, foreign investment, and technology inflows. The unilateral reforms of the trade and domestic policies of India, along with reforms of the tax regime since , represent a significant departure from the policy framework of the previous four decades and are important to the future course of the Indian economy. It thus becomes important to evaluate the effects of such policy reforms on factor prices, output, and trade, along with inter-sectoral movement of resources, viz. To address these issues, we use a sector computable general equilibrium CGE model for India. We hope that our analysis will provide a more solid underpinning for the ongoing policy debate. The emphasis was on import substitution, heavy industries and a central role for the public sector. Export pessimism was widely prevalent. The trade policy regime was highly protectionist and regulated through quantitative controls on imports. Tariff rates were exceptionally high. Domestic industry, heavily insulated from international competition, was under strict regulation. The Committees led by P. The Long Term Fiscal Policy, announced in , envisaged the eventual removal of import licensing from all imports except consumer goods and also proposed simplification of the complex tariff structure. Quantitative restrictions were in fact being gradually removed along with expansion in the open general license OGL list of imports. The imports of various capital goods and raw materials became freer as these were put on the OGL list along with reduction in their tariff rates. However, the changes that took place up to July were quite small by comparison to what was needed. The dominant view continued to be that if a good could be produced in India, then it should be protected from import competition irrespective of its cost of production. Thus, despite all these measures, the Indian economy remained a highly protected economy at the end of the s see World Bank, India commenced its major thrust towards globalization in July , triggered by the pressure of crisis in its external sector and a concurrent fiscal deficit. A program of macroeconomic stabilization was initiated that included reducing the fiscal deficit, controlling the money supply, and correcting the overvalued currency by a major devaluation of the rupee. The rupee was subsequently made partially convertible in , fully convertible on trade account in , and fully convertible on current account in It has now become widely accepted that, in order to achieve the desired results, India has to transform itself into an internationally competitive economy open to trade and foreign investment. Significant changes in the industrial policy regime have already led to industrial delicensing and a larger role for the private sector. Changes in trade policy have involved abolishing import licensing except for imports of consumer goods as well as reductions in import duties. Reforms have also been initiated towards streamlining the structure of indirect taxes in India. With these trade and industrial policy reforms, India has entered a new era with a more competitive You are not currently authenticated. View freely available titles:

Chapter 2 : Project MUSE - The Impact of Trade and Domestic Policy Reforms in India

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Additional Information In lieu of an abstract, here is a brief excerpt of the content: Before proceeding with our analysis, it is useful first to discuss the relevant features of the Indian economy towards the end of the s. A slow process of trade and industrial reforms was carried out during the s in the form of some decontrol within a highly regulated policy regime. After examining the salient features of the Indian economy from the s to the end of the s, we then consider the post reform measures particularly in trade and industrial policies along with the intended restructuring of indirect taxes. The aftereffects of the Second World War and partition with Pakistan had shattered its economy markedly. The primary sector contributed about 56 percent of GDP in compared with a 15 percent share of the secondary sector and the remaining 28 percent being contributed by the tertiary sector. Such a framework ruled out any radical changes in the production and distribution process of the existing capitalist institutions. Thus, the three broad objectives of the Indian development strategy were: In order to achieve its declared objectives, India opted to introduce far reaching measures of economic planning. The Commission had only advisory and recommendatory powers with implementation being left to the executive organs of the government consisting of various ministries at the Centre along with the state governments. Mahalanobis who were impressed by the Soviet planning experience. However, India did not adopt totalitarian political control of the society and complete state ownership of the means of production, the two major features of the Soviet planning. India retained instead the institution of private ownership of property and the means of production, along with the freedom to utilize them in economic activity within the legal and constitutional framework and with private profit as a motive force. The state was expected to play an active positive role by providing social and economic infrastructure. The Mahalanobis strategy emphasized the development of basic and heavy industry to encourage import substitution. India adopted the choice of a "mixed economy" in an attempt to meet the aforementioned objectives of self-reliant growth with social justice. The state was expected to playa proactive role in economic activity by promoting economic growth as well as distributional objectives without resorting to coercive means. The state was to influence the pace as well as the composition of economic activity through expansion of the public sector. The democratic framework permitted private ownership of property and the means of production. The private owners were free to utilize their assets to earn profit but only under the constraints imposed by the regulatory economic policy and the legal and constitutional framework. Though the state was not identified with any particular interest groups, many such groups were active in seeking to influence state actions in their favor. The operation of the state was promised on three classes of economic instruments: The government was expected to use these You are not currently authenticated. View freely available titles:

Chapter 3 : Economic liberalisation in India - Wikipedia

This book is aimed at analyzing the comparative static effects of selected post trade and domestic policy reforms on trade, factor prices, economic welfare, and the intersectoral allocation of resources.

Policy tended towards protectionism , with a strong emphasis on import substitution industrialization under state monitoring, state intervention at the micro level in all businesses especially in labour and financial markets, a large public sector, business regulation, and central planning. Steel, mining, machine tools, water, telecommunications, insurance, and electrical plants, among other industries, were effectively nationalised in the mids. The Indian currency, the rupee , was inconvertible and high tariffs and import licensing prevented foreign goods reaching the market. The labyrinthine bureaucracy often led to absurd restrictionsâ€"up to 80 agencies had to be satisfied before a firm could be granted a licence to produce and the state would decide what was produced, how much, at what price and what sources of capital were used. The government also prevented firms from laying off workers or closing factories. The central pillar of the policy was import substitution , the belief that India needed to rely on internal markets for development, not international tradeâ€"a belief generated by a mixture of socialism and the experience of colonial exploitation. Planning and the state, rather than markets, would determine how much investment was needed in which sectors. The first attempt was reversed in Thereafter, a stronger version of socialism was adopted. The second major attempt was in by prime minister Rajiv Gandhi. The process came to a halt in , though a style reversal did not take place. The government slightly reduced Licence Raj and also promoted the growth of the telecommunications and software industries. Licence owners built up huge powerful empires. State-owned enterprises made large losses. Narasimha Rao and his then-Finance Minister Dr. India started having balance of payments problems since , and by the end of , the state of India was in a serious economic crisis. Most of the economic reforms were forced upon India as a part of the IMF bailout. In return for an IMF bailout, gold was transferred to London as collateral, the rupee devalued and economic reforms were forced upon India. That low point was the catalyst required to transform the economy through badly needed reforms to unshackle the economy. Controls started to be dismantled, tariffs, duties and taxes progressively lowered, state monopolies broken, the economy was opened to trade and investment, private sector enterprise and competition were encouraged and globalisation was slowly embraced. The reforms process continues today and is accepted by all political parties, but the speed is often held hostage by coalition politics and vested interests. The reforms did away with the Licence Raj , reduced tariffs and interest rates and ended many public monopolies, allowing automatic approval of foreign direct investment in many sectors. This specified deregulation, increased foreign direct investment, liberalization of the trade regime, reforming domestic interest rates, strengthening capital markets stock exchanges , and initiating public enterprise reform selling off public enterprises. The Bharatiya Janata Party BJP â€" Atal Bihari Vajpayee administration surprised many by continuing reforms, when it was at the helm of affairs of India for six years, from â€"99 and from â€" The United Front government attempted a progressive budget that encouraged reforms, but the Asian financial crisis and political instability created economic stagnation. But due to pressure from fellow coalition parties and the opposition, the decision was rolled back. However, it was approved in December It has opened up the path for private, foreign investments in the sector, since Indian arms of foreign companies are entitled to bid for coal blocks and licences, as well as for commercial mining of coal. This could result in billions of dollars investments by domestic and foreign miners. The move is also beneficial to the state-owned Coal India Limited, which may now get the elbow room to bring in some much needed technology and best practices, while opening up prospects of a better future for millions of mine workers. The Code creates time-bound processes for insolvency resolution of companies and individuals. These processes will be completed within days. If insolvency cannot be resolved, the assets of the borrowers may be sold to repay creditors. This law drastically eases the process of doing business, according to experts and is considered by many to be the second most important reform in India since next to the proposed GST. Please help improve this article by adding citations to reliable sources. Unsourced material may be challenged and removed. In service sectors where government regulation has been eased significantly or is less burdensomeâ€"such as communications, insurance, asset management and information technologyâ€"output has grown rapidly, with exports of information technology enabled services particularly strong. In those infrastructure sectors which have been opened to competition, such as telecoms and civil aviation , the private sector has proven to be extremely effective and growth has been phenomenal. His prescription to speed up economic progress included solution of all outstanding problems with the West Cold War related and then opening gates for FDI investment. By , the West would consider investment in India, should the conditions permit. The new incoming government of Dr. Manmohan Singh in further strengthened the required infrastructure to welcome the FDI. Today, fascination with India is translating into active consideration of India as a destination for FDI. It has displaced US to the third position. This is a great leap forward. India was at the 15th position, only a few years back. Challenges to further reforms[edit] For , India was ranked th among countries in Index of Economic Freedom World Rankings, which is an improvement from the preceding year.