PREFACE

NEED AND OBJECTIVE OF STUDY

Since over two decades, the trade policy has assumed considerable significance. Although prior to 1991 too, some attempts at economic liberalisation took place in the country at intervals, it was only in 1991 that the country launched a new economic reform process, which involved deregulation and liberalisation. This process was meant to liberate private initiative in the country, and to provide an impetus to entrepreneurship qualities. Trade reforms were part of this reform process. It was also perceived that India needs to become more competitive and to integrate with the global economy. It may not be an exaggeration to say that, at no point in the economic history of this country, has the trade policy assumed so much relevance and importance, as in the past 6 years.

During the course of the evolution of policies, it becomes necessary for decision-makers to try to look at other successful policy models around the world. In recent times, the East Asian tigers -- South Korea, HongKong, Singapore and Taiwan have developed into economic giants. Some of the South East Asian countries like Thailand, Indonesia, and Malaysia are also fast joining the ranks of these economies. Similarly, some South American countries like Brazil, Argentina, Mexico, etc., have also done quite well economically.

Developmental economics recognises the fact
that it is not always possible to apply a model, which is successful in one country in entirety to another country. India is a geographically large country, with a big population. It has a large domestic economy, which is primarily agrarian. It's industrial base, is diverse and covers several high-technology areas. It has a long and traditional background-social, cultural and political. All these make it very difficult for a country to follow a particular model of economic development.

The thesis attempts to study the system of licensing in two time-periods: Period I (1975-76 to 1984-85) and Period II (1985-86 to 1994-95). As can be seen, licensing was used to regulate both imports and exports, and also as a tool for export promotion. Licensing has been the heart of the Trade Policy. The study of the trend of exports, indicates that the growth of exports has fluctuated widely, with several years of high growth being intermittently followed by years of low growth. Even presently, we are witness to a growth rate of over 20% in 1992-93 and 1993-94 being followed by an estimated growth rate of about 6-7% in 1996-97. This indicates that there are still some areas which need to be strengthened, in order to have a steady but consistent export growth. The thesis attempts to identify these areas of vulnerability where some affirmative action is required, in terms of policy prescriptions.

**SCOPE AND APPROACH**

Import and Export Licensing has grown to be a very significant aspect of our trade policy. In order to cover a time-span, which also reflects
Recent events, the changes in the policy, and the trends in licensing have been studied over two periods.

**Period I is from 1975-76 to 1984-85 while**

**Period II is from 1985-86 to 1994-95**

The schemes for export promotion have also been studied, with a focus on the same periods. The schemes studied include the REP scheme, the Duty-Exemption Schemes, the Pass-Book scheme, the EPCG scheme, the schemes for Export Houses and Trading Houses, and the schemes for EPZs and 100% E.O.U.'s.

**RESEARCH METHODOLOGY USED**

The Import and Export Promotion policies announced during these years have been studied in detail and analysed. The Annual Reports of the Ministry of Commerce and the office of the D.G.F.T. (the erstwhile Chief Controller of Imports and Exports), as well as other reports, provided the data for the study of the licensing pattern.

**ORGANISATION**

The present study has been divided into nine chapters. These are as below:

**CHAPTER 1-Historical background**-This briefly covers ancient trade in India. It also studies the trend of exports and imports from independence onwards up to 1995-96. Particular focus is laid on the import and export performance during Period I and Period II.
CHAPTER 2-The import and export licensing system-
In this chapter, the changes and the rationale behind the major changes in the licensing policy have been studied. The focus is again on the two periods mentioned earlier—Period I and Period II.

CHAPTER 3-Export promotion through duty-free imports-In this chapter, all the schemes which relate to duty-exemption have been studied. These include the Advance Licensing Scheme and the Pass-Book scheme for the import of raw-materials. In the case of capital-goods, the scheme started with reduced duty, followed by total exemption for certain sectors. While the chapter shows how these schemes evolved, it would be clear that the changes were more significant in Period II than in Period I.

CHAPTER 4-Export Promotion through special schemes-This chapter studies the development of the scheme for Export Houses, Trading Houses, Star Trading Houses and Super-Star Trading Houses. The expectation is that these organisations should be able to grow into vehicles, which could facilitate marketing and provide a boost to exports. The Export Processing Zones and 100% Export-Oriented Units are also expected to develop into centres of export-production.

CHAPTER 5-Export Promotion through financial support-This chapter studies the schemes like Cash Compensatory Support, Duty-Drawback, Income-Tax exemption and Bank Finance, which play a very supportive role for exports.

CHAPTER 6-Organisational framework-The support to exports is provided through several institutions like Export Promotion Councils and the Office of
CHAPTER 7- International Institutions- The international environment has become a very competitive one. As the interdependence of countries, has grown, new sets of problems have emerged during these two decades. Despite the existence of WTO and UNCTAD, non-tariff barriers and regional blocs are on the increase. These aspects will have to be recognised, and handled. There are strong chances of the environment continuing to remain like this, and in fact becoming increasingly complex.

CHAPTER 8- Recent Policy Trends- This chapter outlines the developments in the trade policy, industrial policy and the financial policy, in the post-liberalisation period. The policies have worked better, when they have been timed so as to act in a complementary manner to the steps taken in the other sectors.

CHAPTER 9-Policy prescriptions- The chapter attempts to suggest the areas where policy initiatives are needed to make exports sustainable. The attempt is to show that a multi-pronged strategy is required. Liberalisation and deregulation have to be coterminously carried out in several sectors of the economy, particularly on the infrastructural areas. The attempt should be to improve the efficiency and productivity in the domestic sector. This alone can make exports sustainable in the long run.