CHAPTER-I
INTRODUCTION

The ultimate goal of economic development is to raise the level of living of the large majority. The main problem of development in today’s world is how to improve the quality of life. Particularly, in the poor countries of the world, a better quality of life generally calls for higher incomes- but it involves much more. It encompass as ends in themselves, better education, higher standard of health and nutrition, lower level of poverty, a cleaner environment, more equality of opportunity, greater individual freedom and a richer cultural life (World Development Report, 1991).

However, a debate is going on among the economists and the policy makers, regarding the choice of strategy of development for a country. According to one school of thought, all countries are dependent on each other. All the countries must accept the fact that they are part of world economy. The growth in International business has forged a network of global linkages around the world that binds all countries, institutions and individuals—much closer than ever before (Czinkota et al. 1994). Moreover, it is difficult for a country to survive without trade with other countries due to the unequal distribution of natural resources. Large share of basic needs of human beings depend upon the trade in the contemporary world. Therefore, trade must be promoted for steady and sustainable economic growth in the world economy.

The various theories of International Trade like Absolute Advantage Theory, Comparative Advantage Theory, Heckscher and Ohlin Theory and Porter’s Competitive Advantage of Nations etc. advocates that trade is good for the global economy. Trade appears to be one of the most distinctive and fundamental activity of human societies. The diversity in the geographical distribution of wealth and natural resources compel humankind to obtain those commodities from remote areas, which cannot be generated within his own locality. The differences of human wants account for an extensive system of exchange between the inhabitants of different places and nations (Arora, 2007). International trade also strengthened foreign exchange reserves and accelerate the supply of imports of capital goods in a country, which results in enhanced productive capacity at
domestic level and improved situation of balance of payments of an economy of each country.

The above discussion leads us to the conclusion that External sector is very significant for a country to achieve growth at domestic and international level. The performance of exports of any country is a hallmark of its competitive status at global level and performance of imports are recognized as an indicator of high standard of living of people of a country.

There is another school of thought, which argues that developing and economically weak countries should go for the Import Substitution Policy (Inward-looking Development Strategy), by producing those products which a country used to import from the other countries. By doing so a country may reduce its import bill and improve its balance of payments situation. The argument is that a country should take measures to become self-reliant rather than dependent on other countries over the period of time. To achieve the goal of self reliance, more and more countries across the world adopted the import substitution policy approach from 1900 to 1950. However, an increasing marketisation of the production processes mainly controlled by developed world led by the Multinational Corporations (MNCs)/ Transnational Corporations (TNCs) have created an environment in which the developing and least developed countries have been compelled to open-up their economies for the products of developed world. The formation of WTO has further activated the process of liberalization and globalization.

Prior to the formation of WTO, India remained untouchable from the world economy during the first 40 years of independence. It has been pointed out that long term faith in import substitution policy as a part of development strategy blocked the flow of technology and investment due to lukewarm attitude towards the export promotion led to marginalization of India from the global trade. In view of above situation, Indian policy makers introduced large scale reforms after 1991.

The Government of India took number of initiatives in the foreign trade policy like simplification of Import-Export procedure, reduction in Tariffs and Non-Tariffs barriers, Foreign Currency reforms, Liberal Credit, setting up of Export Promotion
Zones, incentives for the Foreign Companies and Joint Ventures etc. As a result of these reforms, the commodity structure and geographical pattern of exports of India has changed under the WTO regime. Inspite of the remarkable growth in Indian trade, its share in world trade was only 0.66 percent in 2001, which was less than that of small countries like Taiwan and Singapore. In 1980-81, exports as percentage of GDP were only 5.5 per cent, which marginally increased to 5.8 per cent in 1990-91 but substantially improved to 11.7 per cent in 2003-04. This shows the growing importance of exports for the Indian economy (Datt, 2006).

1.1 GAINS FROM TRADE

The basic proposition concerning the gains from trade is that some trade is better than no trade. This proposition is clear by the notion that no nation was ever ruined by trade, quoted by Benjamin Franklin. Contrary to the well-accepted notion that economists cannot agree on anything, they really do agree that international trade improves human welfare. Economists have made their case for free trade in two ways. First, they have developed logical models to prove that international trade increases human welfare. These models have also provided useful insights into how international trade increases human welfare. Second, economists have used their models to estimate the welfare gains from reducing or eliminating barriers to trade (Berg and Lewer, 2007).

It is necessary to quote Adam Smith (1723-90) here,

“Between whatever places foreign trade is carried on, they all of them derive two distinct benefits from it. It carries the surplus part of the produce of their land and labour for which there is no demand among them, and brings back in return something else for which there is a demand. It gives value to their superfluities, by exchanging them for something else, which may satisfy part of their wants and increase their enjoyments. By means of it, the narrowness of the home market does not hinder the division of labour in any particular branch of art or manufacture from being carried to the highest perfection. By opening a more extensive
David Ricardo also argued that all countries gain from trade if they specialize and trade the goods in which they have a comparative advantage. He further argued that this is true even if single country has full advantage over the other nation. Heckscher and Ohlin also give importance to the main factors of production, namely, labour & capital and their intensity due to which gains from trade takes place. This theory advocates that if a country produces those products in which the country is abundant as compared to the scarce resources and trade with other countries, all the countries can gain. The Porter’s Competitive Advantage theory focused on the competitiveness of industry and product level instead of national level competitiveness. According to Porter’s Competitive Advantages Theory, the following four conditions are important to take the benefit of competitive advantage, namely, level of competition, demanding consumer, situation of the factor of production, supporting industries and strategy, rivalry and structure of firm.

Different theories of international trade have been summarized by Czinkota as shown in figure-1.
Figure 1: - Evolution of International Trade (Czinkota, M. et al. 1994)

Historically, trade has acted as an engine of growth for countries at different stages of development, not only by contributing to a more efficient allocation of resources within countries, but also by transmitting growth from one part of the world to another. Not all countries, however, necessarily share equally in the growth of trade or its benefits. This will depend on: the production and demand characteristics of the goods that a country produces and trade; the domestic economic policies pursued, and the trading regime it adopted (Thirlwall, 1995). For example, taking the developing countries as a whole, the volume of exports has grown slower than for developed countries since 1950 (5 per cent per annum compared to 8 per cent in developed countries) because developing countries still largely produce and export primary commodities and low value-added manufactured goods with a relatively low income elasticity of demand in the world markets. The discrepancy in rates of growth of exports has been even wider in value terms because the terms of trade of developing countries has deteriorated vis-à-vis developed countries which led to the fall in the share of the developing countries in the total value of global trade.

The arguments of Adam Smith and David Ricardo have strengthened the view point that free trade policies leads to higher level of welfare of the society in general.

Early in the 20th century, Eli Heckscher and Bertil Ohlin model developed the general equilibrium model which is still the centerpiece of trade theory. Economists routinely use the Heckscher Ohlin model to show that free trade takes an economy to a higher level of real national income than can be attained when trade is restricted (Berg and Lewer, 2007). Later in the 20th century, Paul Samuelson and others derived additional theoretical implications of the Heckscher-Ohlin model, such as the Rybczinski Theorem that describes how international trade reacts to increase in factors such as capital and labor and Stolper-Samuelson Theorem that details how the gains from trade are distributed among the owners of the factors of production. A couple of decades ago, when the Heckscher-Ohlin model was criticized for assuming that markets operate under perfect competition, James Brander, Gene Grossman,
Elhanan Helpman, Paul Krugman and others strengthened the arguments for free trade (Berg and Lewer, 2007).

A survey by Blendon et al. (1997) confirmed that, indeed, an overwhelming majority of economists favored trade liberalization, but only about half of the general public in the United States agreed that further agreements to liberalize trade would be “good for the economy”. Scheve and Slaughter (2001) reviewed opinion surveys from the past several decades, and these surveys show that people have consistently been doubtful about the benefits of free trade. Especially notable is a 2000 survey reported in a Wall Street Journal article (by Gerald F. Seib, 2000) appropriately entitled “Trade Can’t Get Any Respect, Even Amid Boom”; in a year when the U.S. economy reached to record-low unemployment and record-high rates of economic growth, 48 per cent of U.S. residents still felt that trade had been “bad for the economy” and only 34 per cent said it had been “good for the economy”.

The argument that free trade is better than the protection is the basic argument which has been developed by economists to provide direction to the economic policies of different nations. Douglas (1996a) describes economists’ defense of free trade against protectionists as an intellectual victory:

_The free trade doctrine has been subjected to close and searching scrutiny, and has sometimes come under serious doubt. Yet the idea of free trade, the conceptual case for free trade, has survived largely intact against the tide of repeated critical inquiry. This examination has, of course, shed light on the strengths and weaknesses of the free trade doctrine, and has sometimes resulted in valid theoretical qualifications to the doctrine. The case for free trade has endured, however, because the fundamental proposition that substantial benefits arise from the free exchange of goods between countries has not been overshadowed by the limited scope of various qualifications and exceptions. Free trade thus remains as sound as implications for economic policy is ever likely to be._
Much of the resistance to free trade no doubt comes from special interests who actually gain from protectionism, and they will never be convinced of free trade’s welfare gains. Outside the economic profession, free trade is not viewed so favorably. In fact, surveys and policy decisions suggest that the general public and policy makers in most countries remain stubbornly suspicious of international trade (Berg and Lewer, 2007).

However, majority of mainstream economists are unanimous that international trade has played a crucial role in the development of the world economy. Therefore, it is not easy for a country to continue to exist without trade with other countries because of unequal distribution of natural resources. Large share of basic needs of human beings depend upon the trade in the contemporary world. Developing countries are generally more dependent on trade than are developed countries; it is clear from table-1, which indicates, while large countries are understandably less dependent on trade than small countries, at any given size, developing countries tend to devote a larger share of their output as merchandise exports than do developed countries.

The data reveals that large countries like Brazil and India, which have had unusually closed economies, tend to be less dependent on foreign trade in terms of national income than relatively small countries like those in tropical Africa and East Asia. As a group, however, less developed nations are more dependent on foreign trade in terms of its share in national income than the very highly developed countries. This is shown clearly in the case of traditionally export-oriented Japan, whose exports amount to roughly 10 per cent of GDP, whereas LDCs with somewhat larger populations such as Indonesia, Bangladesh, and Nigeria export a far higher share of output (Todaro, 2007 p. 554).
## Table-1
Merchandise Export Earnings as a Percentage of GDP for Selected Countries 2006-2010

<table>
<thead>
<tr>
<th>Country</th>
<th>2006</th>
<th>2007</th>
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<td><strong>Developing Countries</strong></td>
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<td>Malaysia</td>
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<td>Mexico</td>
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<td>Indonesia</td>
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<td>Jamaica</td>
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<td>Philippines</td>
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<td>Bangladesh</td>
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<td>Venezuela RB</td>
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<td>Sri Lanka</td>
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<td>Thailand</td>
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<td>Brazil</td>
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<td>China exclude Hong Kong</td>
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<tr>
<td>Singapore</td>
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<td>200</td>
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<tr>
<td><strong>Developed Countries</strong></td>
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<td>United Kingdom</td>
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<td>United States</td>
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<td>Japan</td>
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The greater share of developing country exports in GDP is probably due in part to the much higher relative prices of non-traded services, in developed than in developing countries. Nevertheless, the point remains that LDCs are generally more dependent on trade in international economic relations, because most trade is in merchandise, for which price disparities are smaller across countries. Moreover, the exports of LDCs are much less diversified than those of the developed countries (ibid, 2007).

Due to the increasing importance of trade for the nations, the leading countries of the world reached upon a consensus that trade barriers should be removed for the promotion of global welfare.

1.2 GENESIS OF WTO

After the Second World War, the Bretton Woods Conference of 1944 succeeded to establish the two International Financial Institutions at global level—namely, International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (World Bank) for the reconstruction of the global economy. The IMF and World Bank were set up with a view to promote monetary stability and providing resources for the post war reconstruction requirements. A third institution, named– The International Trade Organization (ITO i.e. specialized agency of United Nations announced by the Havana Charter) was proposed to be created to settle the disputes among the trading countries and to promote liberalization of world trade. However, the effort to set up ITO since 1945, proved abortive in the hands of the U.S. Congress when the congress failed to ratify the Havana Charter involving ITO’s formal structure, which was meant to govern world trade (Singh, M. 2005).

Non-establishment of ITO led to the continuation of GATT but it was replaced by WTO in 1995. It is one of the most significant body among all the global economic institutions in the history of trade and economic relations among the members’ countries. WTO is a Multilateral Trade body, which provides a comprehensive regulatory framework for the promotion of global trade. It has 159 members on March, 2013.
1.2A MOTIVES BEHIND WTO

The main motives for the establishment of WTO are given below:

- To set and enforce rules for international trade;
- To ease the implementation, administration and operations of MPTA;
- To provide a platform to negotiate and monitor the rules regarding liberalization of trade;
- To improve transparency and set up the forum for negotiations for the member countries;
- To make available a framework for applying of the results arising out of the discussions which took place at Ministerial Conference level;
- To resolve trade disputes and manage the created understanding on system and dealings with the settlement of disputes; and
- To oversee the working of TPRM.

1.3 WTO AND DEVELOPING COUNTRIES

WTO has both positive and negative impacts on the developing countries. The Uruguay Round is benefiting more to the developed countries as compared to developing counties like India. However, indiscriminate liberalization has harmed the interests of the developing countries, particularly the LDCs. And further liberalization by developed countries is needed for the developing countries to take advantage of globalization (Cherunilam, F, 2009).

1.3A ARGUMENTS IN FAVOUR OF MEMBERSHIP

According to those who support the formation of WTO, India was likely to derive number of benefits from the membership of WTO. The expected main benefits were, namely, benefits from expansion in trade; improved prospects for agricultural exports; subsidies; anti dumping; countervailing measures and settlement of disputes. On the contrary, due to the ‘inequality within the structure of WTO’, and its bias towards the developed countries, India was likely to face a number of disadvantages and challenges which could seriously undermine its interests. As noted by Subir Gokarn, “the contents of
agreements are determined by the leverage that developed countries can exert over the developing countries; bribing them to agree and threatening to penalize them in other ways if they don’t. So, we can say that the basic agreements of WTO are framed in favor of developed countries’. According to S.P Shukla, the WTO trespasses the sovereignty of nation-states and signals the virtual emergence of a world parliament which has been granted powers to enact international laws on matters that were under national jurisdiction so far.

### 1.3B ARGUMENTS AGAINST MEMBERSHIP

The effect of WTO agreements is not the same on all the countries. For instance, a measure which favorably affects one developed country may unfavorably affect another developed country. It is, therefore, quite natural that conflicts of interest have occurred both among developed and developing countries. Developing countries have identified various instances of inequalities and imbalances in the WTO Agreements and submitted a large number of formal proposals for rectifying them. These proposals are known as the implementation issues. Some studies show that Sub-Saharan Africa, Indonesia and some Caribbean islands will become more poorer as a result of the implementation of WTO agreements.

### 1.4 INDIA AND WTO

India was one of the 23 founder contracting parties to the General Agreement on Tariffs and Trade (GATT) that was concluded in October 1947. India is also a founder member of WTO and it has taken keen interest in the deliberations of WTO. India remained the leading voice of the developing world at various rounds of trade negotiations. The recently held IXth ministerial conference of WTO at Bali in Indonesia has clearly strengthened this view point. India opposed the inclusion of Public procurement agreement on the plea that it will affect the food security programs of the poor countries in general and India in particular. The details of the Ministerial conferences of WTO is presented in Annexure-I.

WTO membership led to institutional/structural reforms in the external sector policy of India. For this purpose, a number of measures have been introduced during the trade liberalization period as part of the ongoing reform process in the external sector.
These reforms were introduced in view of the mainstream economist’s argument that there is a close relationship between external trade’s policy and economic development of a country. The literature on trade and development considered exports as a vehicle to speed up economic growth through a variety of channels, namely, efficient allocation of resources, improved productivity, generate economies of scale, enhanced capacity utilization, and diffusion of modern technological knowledge and innovations. Therefore, Indian government introduced large-scale policy changes to convert closed economy into open economy by adopting the new economic policy of Liberalization, Privatization and Globalization (LPG). The open trade regime created enormous opportunities for higher growth by creating a favorable environment for trade to compete at global level. This has been the main rationale behind the trade reforms in India during the post-liberalization era.

Under the compliance of WTO, the Government of India have taken number of initiatives in the foreign trade policy like simplification of Import-Export procedure, reduction in Tariffs and Non-Tariffs barriers, Foreign Currency reforms, Liberal Credit, setting up of Export Promotion Zones, incentives for the Foreign Companies and Joint Ventures etc. The detailed analysis of Indian foreign trade policy reforms is presented in the foregoing discussion.

1.5 FOREIGN TRADE POLICY REFORMS IN INDIA: AN OVERVIEW

According to Neo-liberal economists, the process of economic ‘reforms’ – liberalization, privatization, and globalization- brought about since 1991 succeeded to provide freedom to Indian entrepreneurs from bureaucratic interference and enabled them to expand their businesses rapidly. This development led to unprecedented growth which is being measured in terms of gross domestic product (GDP). Therefore, the entire debate in India has focused for the sustainability of this growth in future to enable Indian economy to become a super power at the global level. This school of thought is boosting the success of these reforms, and predicts the reduction in poverty and inequalities in the long run.

The policy of trade liberalization initiated in 1992 was essentially an integral part of economic reforms which had marked a transition to a market economy from the earlier Nehruvian model of a controlled and regulated system (Ratna and Sidhu, pp. 19-20
Commonwealth Secretarial). The process of liberalization and changes in India’s trade and other policies has led to considerable changes in external sector. The NEP was designed to reduce administrative controls and barriers, which were considered as hindrances to the free flow of exports and imports. The New Economic Policy of India emphasized on liberalization of imports by cutting down the import duties drastically, rather than putting a limit on imports and encouraging exports.

Many countries of the world adopted outward-looking strategies with a view to integrating themselves into the world economy to improve their growth prospects during the last quarter of the twentieth century. India presents an interesting case in view of their increasing emphasis on outward-looking policies from a broader perspective. The reforms implemented in India during the post-reforms period are not very different from the reforms undertaken by many developing countries. However, the difference lies in the speed with which these reforms have been implemented.

In June 1991, India faced a severe balance of payment crises. The foreign exchange reserves were depleted. Indian government had to devalue Rupee twice in 1991 in order to make exports less costly. The devaluation of rupee was resorted to at the instance of World Bank/IMF with the objective of encouraging exports and cutting down imports. Further, the government was forced to approach the World Bank and IMF for help in the form of Stand-by arrangement. Under the compliance of World Bank/IMF, the New Economic Policy (NEP) was adopted to reorganize the economy in the long run to facilitate India to achieve a higher level of growth rate.

Number of measures has been taken to strengthen the process of liberalization to achieve the higher economic growth. It has now been widely recognized that major reforms in trade policy have accelerated India’s transition towards a globally oriented market by stimulating exports and facilitating imports of indispensable inputs as well as capital goods. The trade liberalization episodes have generally reduced export-bias and supported the export-led-growth hypothesis. These reforms include, namely, free exports and imports; reduction and rationalization of tariff structure and removal of Non-Tariff Barriers; decentralization; liberalization of exchange rate regime; setting up of trading houses, Special Economic Zones, Export Promotion Industrial Parks; reservation of items for Small Scale Sector and reforms in labour laws; and Various exemptions under the
EXIM policies to increase exports and imports and make the trade policy regime transparent and less cumbersome. The following trade policy reforms have been introduced from time to time by the Government of India during the Post Liberalization.

- Till 1991 imports were regulated by means of a positive list of freely importable items. Since 1992 imports are being regulated through a limited negative list rather than an examtive.

- Quantitative restrictions on imports of most intermediate inputs and capital goods have been eliminated.

- In July 1991 out of 5021 Harmonized System (H.S.) tariff lines (6 digits), 80 percent i.e. 4000 lines were subject to import licensing restrictions. As of December, 1995 more than 3000 tariff lines covering raw materials, intermediates and capital goods were made free of import licensing requirements.

- A large number of items covering 1487 tariff lines whose import was otherwise restricted, were now allowed to be imported under freely tradable special import licences, which are granted to the export houses/trading houses/star trading houses and super star-trading houses.

- Import restrictions were gradually lifted in the course of 1991-92 and the new liberalized exchange rate management system was introduced 1992-93 budget to remove import licensing in most capital goods, raw materials, intermediates and components and a dual exchange rate system was introduced with one rate effectively floated in the market (Mathur, 2006).

- Control on exports has been liberalized to the extent that now all goods may be exported without any restriction except the few items mentioned in the negative list of exports. The items in the negative list are regulated because of strategic considerations, environmental and ecological grounds, essentially domestic requirements, employment generation, and on grounds of socio-cultural heritage (Economic Survey, 1995-96).

- With the objective of accelerating the pace of reforms, EXIM policy of 1992-97 was assessed for further trade promotion and simplification of procedures.

- GOI announced various measures in 1999-00, namely, (i) elimination of quantitative restrictions; (ii) Free Trade Zones (FTZ) was replaced by export
processing zones; (iii) Duty Exemption Scheme has been made more flexible; (iv) Zero Duty export promotion capital goods scheme (EPCG) with lower threshold limit of Rs. One Crore extended to chemicals and textiles; (v) pre-export duty Entitlement Pass Book Scheme (DEPB) of credit entitlement increased from 5 to 10 per cent on the basis of previous year’s performance (Economic survey of India, 1999-00).

EPCG scheme was established in 2003-04 to expand manufacturing base for exports.

To improve the efficiency and competitiveness of the manufacturing sector, including promotion of exports, incentives have been provided for designated industries like the textile industry, pharmaceuticals, telecom and information technology (IT) industry, bio-technology and gems & jewelry (ESI, 2003-04).

These reforms had put a great impact on external sector policy of India which primarily focused on promotion and development of foreign trade instead of control and regulation over trade. As a result of these reforms, the commodity structure and geographical pattern of exports of India has changed under the WTO regime. The share of India’s global trade has gone up during the post reforms period. However, In spite of the remarkable growth in Indian trade, its share in world trade was only 0.66 per cent in 2001, which was less than that of small countries like Taiwan and Singapore (Datt, 2006). In 1980-81, exports as percentage of GDP were only 5.5 per cent, which marginally increased to 5.8 per cent in 1990-91 and substantially improved to 11.7 per cent in 2003-04.

However, the foreign trade reforms have affected positively as well as negatively to the growth of exports and imports. No doubt, reforms of foreign trade sector led to higher growth in exports and imports, but it has been noticed that India’s imports have always exceeded its exports. This development took place due to the fact that imports have increased manifold due to the increasing demands of capital goods, defense equipment, petroleum products, raw material, food grains and edible oils. The deficit in the balance of trade which was US $ -4888 million in 1995-96 increased to US$ -107855 million in 2009-10. As a result, in spite of the increase in the exports as a percentage of
GDP, it could not contribute positively to the Indian balance of trade during the post-WTO regime.

Due to these developments, the debate relating to the generation of gains from the foreign trade had raised number of questions.

The present study is an attempt to find answer to some of the issues raised under this debate relating to Indian foreign trade during the post reform period. The study has focused on the factors which have influenced the growth of exports and imports. An attempt has also been made to quantify the impact of exports on the economic growth of the Indian economy with the help of advanced econometric techniques. Special emphasis has been laid on the impact of foreign trade policy reforms on the different aspects of the Indian Economy since the formation of World Trade Organization.

1.6 IMPORTANCE OF THE STUDY

In order to enhance the efficiency of the international trade and assist the developing countries to develop their economy, a number of Global Economic Institutions, namely, GATT/WTO, UNCTAD, IBRD-World Bank, IMF, SAFTA, NAFTA etc have been formed to carry out multilateral free trade in a world of multi-lingual and multi-religious community. The review of literature has shown the both positive and negative impact of new world trade policies on world economy in general and Indian economy in particular. One Common Conclusion of majority of these studies is that drastic changes have been taken place in the foreign trade scenario at the global level.

External trade has been recognized as a tool of economic and social change at global level. There are some countries like Hong Kong, Singapore, Korea etc. who have succeeded to develop their economies by promoting trade with the other countries of the World. Foreign trade has been acknowledged as an engine of growth due to its positive contributions in the different part of the world. These changes in the world economy have influenced the foreign trade of the developing countries in general and India in particular. In view of the global changes, India has made several changes in its foreign trade policy from time to time to encourage domestic manufacturers and exporters by liberalizing trade policies to promote foreign trade. Number of initiatives has been taken during the post WTO Era as discussed above. The main motive behind all these changes in foreign
trade policy has been to achieve higher share in foreign trade by promoting exports and liberalizing imports required for the growth of the exports.

Therefore, the present study is an attempt to analyze the impact of all these changes to achieve the said goals as well as its implications for the Indian economy in general and different sections of the society in particular. The study will definitely bridge gap in research and will positively contribute to further strengthening of the foreign trade policy to face the challenges of World Trade Organization.

1.7 OBJECTIVES OF THE STUDY

The present study has been planned to analyze the impact of World Trade Organization on India’s foreign trade. The study is a modest attempt to achieve the following objectives:

- To analyze the Indian Foreign Trade Policy reforms during the Post-WTO period;
- To study the changes in the Commodity Composition of Indian Exports and Imports during the Post-WTO period;
- To study the changes in the Direction of Indian Exports and Imports during the Post-WTO period;
- To study the Relationship between Trade Openness, Exports and Economic Growth during the Post-WTO period;
- To study the impact of Indian Foreign Trade reforms on Balance of Trade and Balance of Payments (BOPs) during the period under study; and
- To suggest suitable recommendations for the policy makers to take remedial measures for necessary corrections.

1.8 PLAN OF THE STUDY

The present study is divided into eight chapters including the present introductory one. Chapter-I introduces the study with descriptions of the theoretical aspects of the problem. The major highlights of the foreign trade policy reforms introduced during the post-WTO period are also presented in this chapter. It outlines the issues, importance, objectives and plan of the study. The review of literature has been carried out in Chapter II. Review of literature has been presented according to the objectives of the study. Research methodology is taken up in Chapter III, which deals with the period of the
study, sources of the data, statistical tools, hypotheses and the limitations of the study. Chapter-IV deals with changes in the commodity composition of India’s exports and imports during the post-WTO period and the direction of Indian Foreign trade under the study period.

Chapter-VI deals with the analysis of the empirical relationship between economic growth, trade openness and export growth during the post-WTO period. The impact of foreign trade policy reforms on BoT and BoPs during the post-WTO period has been presented in Chapter-VII. Summary, conclusions and recommendations along with scope of further research have been presented in Chapter-VIII followed by detailed bibliography and annexures.