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Overview of Tracing the Evolution of India's Foreign Trade Policy: A Journey of Economic Transformation

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ABSTRACT: This article provides a comprehensive overview of India's foreign trade policy evolution since its independence in 1947. It examines the transition from the initial policy of import substitution industrialization to the groundbreaking economic liberalization in 1991. The study highlights key reforms, including tariff reductions, removal of licensing, and encouragement of foreign direct investment. It also delves into the pivotal Export-Import Policy of 1992 and India's accession to the World Trade Organization in 1995. Additionally, the article explores the strategic shift towards the 'Look East' and 'Act East' policies in the 2000s, emphasizing the importance of regional integration. Through this historical analysis, the article underscores the significant role of foreign trade policy in India's economic growth and global integration.

I. INTRODUCTION

India's foreign trade policy has undergone significant transformations since its independence in 1947. From being a closed economy with strict import controls to embracing globalization and liberalization, India's approach to international trade has evolved to become more inclusive and dynamic. This article delves into the historical journey of India's foreign trade policy, highlighting key milestones and their impact on the country's economic landscape.

Genesis of India's Foreign Policy

India's early foreign policy was largely shaped by the Britishers and its founding leaders, especially Jawaharlal Nehru.

Pre-Independence and Indian National Congress (INC)

Before independence, India's foreign policy was largely determined by the British government.

A few of its major features were:

- **Supporting Britishers Interest:** India's foreign policy was focused on maintaining good relations with other British colonies and supporting the interests of the British Empire.
- **Limited Diplomatic Engagement:** India had limited diplomatic relations with other countries, as these were largely conducted through the British government.

In the early 20th century, India's foreign policy began to shift as the country's independence movement gained momentum.

- **Role of INC:** INC worked to raise awareness about the plight of India and other colonized countries and to mobilize international support for the independence movement.
- **Promotion of India's Interests:** Leaders of the independence movement sought to promote India's interests on the global stage and improve the country's relations with other nations.

II. INDIA'S FOREIGN POLICY EVOLVED OVER THE YEARS

The Early Years: Import Substitution Industrialization (1950s-1970s)

In the early years after independence, India adopted a policy of import substitution industrialization. This approach aimed to foster domestic industries by restricting imports through high tariffs and quotas. The focus was on self-sufficiency in the production of consumer goods, heavy industries, and strategic sectors.



The Economic Liberalization Era (1991)

The watershed moment in India's trade policy came in 1991 with a groundbreaking economic liberalization package. Facing a balance of payments crisis, the government initiated a series of reforms under the leadership of then-Finance Minister Manmohan Singh. The reforms included:

1. The government significantly reduced import tariffs, opening up the Indian market to international competition (**Reduction of Tariffs**)
2. Industrial licensing was dismantled, and quotas on imports were eliminated, allowing businesses to operate with more autonomy (**Removal of Licensing and Quotas**)
3. FDI restrictions were relaxed, encouraging foreign companies to invest in India.
4. The exchange rate was partially liberalized, allowing it to be determined by market forces (Exchange Rate Reforms)
5. The liberalization policies set the stage for a more dynamic and globally integrated Indian economy.

Export Promotion: The EXIM Policy (1992-1997)

In 1992, India introduced the Export-Import (EXIM) Policy, which aimed to promote exports and create a conducive environment for foreign trade. This policy included measures like export incentives, duty drawback schemes, and export promotion zones. It also encouraged the diversification of export markets and products, reducing dependency on traditional trading partners.

WTO Membership and Trade Agreements (1995)

India became a member of the World Trade Organization (WTO) in 1995, committing to a multilateral trading system. This move facilitated increased market access for Indian goods and services globally. India also began negotiating bilateral and regional trade agreements to expand its trade footprint. Strategic Shift towards 'Look East' and 'Act East' Policies (2000s-Present)

In the 21st century, India shifted its focus towards the Asia-Pacific region. The 'Look East' policy, later rebranded as the 'Act East' policy, aimed to strengthen economic and strategic ties with Southeast Asia and the broader Asia-Pacific region. This shift reflected India's recognition of the increasing importance of these markets in the global economy.

III. INDIA'S FOREIGN POLICY EVOLVED OVER THE YEARS BY POLITICAL LEADERS

Nehruvian era

Jawaharlal Nehru, India's first Prime Minister, served from 1947 to 1964. During this time, India's foreign policy was shaped by his vision of a non-aligned, independent, and democratic nation.

- **Independence and partition:** After independence, India was partitioned into two countries: India and Pakistan. This led to a mass migration of Hindus and Muslims across the border and resulted in communal violence and tensions between the two countries.
- **The Panchsheel (Five Principles):** It was a set of principles for guiding relations between nations, particularly in the context of decolonization and the Cold War. The principles were:
 - Mutual respect for sovereignty and territorial integrity.
 - Mutual non-aggression.
 - Mutual non-interference in domestic affairs.
 - Equality and mutual benefit.
 - Peaceful coexistence.
- **United Nations Membership:** India became a founding member of the United Nations in 1945 and played a key role in the organization, particularly in the areas of decolonization and disarmament.
- **Non-Aligned Movement:** Nehru was also a key figure in establishing the NAM, which sought to promote cooperation and friendship among countries that were not aligned with any major power bloc.
- **The Sino-Indian War:** In 1962, India and China fought a brief border war over disputed territory in the Himalayas. The conflict shifted India's focus on military modernization and the strengthening of strategic alliances.
- **India's relations with the Soviet Union:** During Nehru's time, India developed close political and economic ties with the Soviet Union, which became one of its main sources of foreign aid and military assistance.

Shastri's era

Lal Bahadur Shastri was the Prime Minister of India from 1964 to 1966.



- **The Indo-Pakistan War of 1965:** This conflict arose from long-standing tensions between India and Pakistan over the disputed region of Kashmir.
- **The Tashkent Declaration:** In the aftermath of the War of 1965, the two leaders met in Tashkent, USSR (now Tashkent, Uzbekistan) and signed the Tashkent Declaration, which called for an end to hostilities and the restoration of diplomatic relations between the two countries.
- **India-Soviet Union relations:** The Soviet Union was a key source of foreign aid and military assistance for India during this time.
- **Public Law 480 (PL 480) program:** Under the PL 480 program, the USA provided food aid to countries on a concessional basis. India received food aid from the United States under the PL 480 program in the 1960s.

Indira Gandhi's era

Indira Gandhi was the Prime Minister of India from 1966 to 1977 and again from 1980 to 1984.

- **The Indo-Pakistan War of 1971:** This conflict arose from tensions between India and Pakistan over the disputed region of East Pakistan. India intervened on the side of Bengali separatists, and the war resulted in the creation of Bangladesh. The war had a major impact on the balance of power in South Asia and solidified India's status as a regional power.
- **Indo-Soviet Treaty of Peace, Friendship and Cooperation (1971-1991):** It was a treaty of friendship and cooperation between India and the Soviet Union. It was signed in the midst of the Indo-Pakistan War of 1971.
- The treaty reaffirmed the close political and economic ties between the two countries. It included provisions for mutual defense and assistance in case of an external threat to either country.
- **India's nuclear test, 1974:** India conducted nuclear tests known as "Smiling Buddha," which made India the sixth country in the world to develop nuclear weapons and sparked international concern about the proliferation of nuclear weapons in South Asia.
- **SAARC (South Asian Association for Regional Cooperation):** She also played a key role in the establishment of the SAARC in 1985, which sought to promote cooperation among the countries of South Asia.

Rajiv Gandhi's era

Rajiv Gandhi was the Prime Minister of India from 1984 to 1989.

- **India-Soviet Union relations:** The Soviet Union remained a key ally for India during this time and provided military and economic assistance.
- **Sri Lankan civil war:** In 1987, India intervened militarily in the conflict at the request of the Sri Lankan government and later facilitated the signing of the Indo-Sri Lanka Peace Accord in 1989, which brought an end to the civil war.
- **The 1985 Air India bombing:** This terrorist attack perpetrated by Sikh separatists marked a major escalation in the conflict between the Indian government and Sikh separatists in the state of Punjab.
- **India's economic liberalization:** Rajiv Gandhi implemented economic reforms that liberalized India's economy and opened it up to greater foreign investment.

During the 1990s

During the 1990s, India's foreign policy was characterized by a focus on economic liberalization and strengthening relationships with the United States and other Western countries.

- **LPG (Liberalization Privatization and Globalization) reforms:** The main changes that resulted from the LPG reforms were increased emphasis on economic diplomacy. It resulted in opening up to foreign investment and trade, the government also focused on strengthening economic ties with other countries through trade agreements, investment deals, and other initiatives.
- **Gujral Doctrine:** It was a set of five principles to guide the conduct of foreign relations with India's immediate neighbors in South Asia.
 - Non-reciprocity with neighbours.
 - Territory should not be used against the interest of another country.
 - Non-interference in internal affairs.
 - Respect each other's territorial integrity and sovereignty.
 - Settle all disputes through peaceful bilateral negotiations.
- **Look East Policy:** In 1991, India launched its "Look East" policy, which aimed to strengthen economic and political ties with countries in Southeast Asia.



- **Nuclear Tests of 1998:** India conducted a series of nuclear tests, which led to international sanctions and strained relations with the United States and other countries.
- **WTO Participation:** Another important event was India's participation in the World Trade Organization (WTO), which it joined in 1995. This allowed India to liberalize its economy and increase its trade with other countries.
- **National Democratic Alliance: NDA-I (1998-2004)**
- The NDA-1, led by Prime Minister Atal Bihari Vajpayee, was in power from 1998 to 2004.
- **The Pokhran-II nuclear tests in 1998:** It led to international sanctions against India but also solidified India's status as a nuclear power.
- **Kargil War 1999:** India and Pakistan engaged in a military conflict in the Kargil region of Jammu and Kashmir. The conflict ended with a ceasefire and the withdrawal of Pakistani forces from Indian Territory.
- **India-US Relations:** The visit of President Bill Clinton to India in 2000 marked a significant improvement in relations between the two countries.

United Progressive Alliance: UPA-I and II (2004-2014)

The UPA government, led by Prime Minister Manmohan Singh, was in power from 2004 to 2014.

- **Indo-US 123 Agreement:** India and the USA signed a nuclear deal in 2008, which ended India's nuclear isolation and paved the way for cooperation with the US in the civil nuclear sector.
- **India-China Relations:** The increased engagement with China, including the establishment of a strategic and cooperative partnership in 2005 and the signing of a border defense cooperation agreement in 2013.
- **Land Border Agreement with Bangladesh:** The resolution of the long-standing boundary dispute with Bangladesh in 2014 involved the exchange of 162 enclaves between the two countries.
- **Look East Policy:** The Government pursued a "Look East" policy, which focused on strengthening ties with countries in Southeast Asia and the Asia-Pacific region.
- **The India-ASEAN Free Trade Agreement:** In 2010, India signed a free trade agreement with the Association of Southeast Asian Nations (ASEAN), which aimed to boost trade and investment between the two regions.
- **UN Security Council Reforms:** The government made a strong push for India to be given a permanent seat on the UN Security Council as part of its efforts to increase India's global influence.

National Democratic Alliance: NDA-II (2014-Present)

India's foreign policy under the National Democratic Alliance (NDA) government, led by Prime Minister Narendra Modi, has been marked by a focus on deepening ties with countries in the Indo-Pacific region, as well as efforts to strengthen relations with traditional partners such as the United States and Russia.

- **Neighbourhood First Policy:** The government's "Neighborhood First" policy aims to strengthen relations with countries in South Asia and the Indian Ocean region.
- **Act East Policy:** It aims to enhance economic and strategic ties with countries in the Indo-Pacific region, including through increased trade and investment, cultural exchanges, and infrastructure development.
- **SCO (Shanghai Cooperation Organisation) Membership:** India and Pakistan were admitted as full members to the SCO, a regional security organization comprising China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan.
- **The India-US Strategic Partnership:** It has progressed in recent years and includes cooperation on various issues, including defense, counterterrorism, trade, and energy.
- **Sustainable development commitments:** India's participation in the Paris Climate Agreement and its commitment to reducing greenhouse gas emissions and increasing the use of renewable energy has been a significant step in India's foreign relations.

IV. CONCLUSION

India's foreign trade policy has evolved significantly over the years, reflecting the country's changing economic priorities and global outlook. From import substitution to economic liberalization in 1991, India has shown adaptability and reform. The dismantling of trade barriers and focus on exports propelled India to become a key player in the global economy. The Export-Import Policy of 1992 and India's accession to the World Trade Organization further strengthened its commitment to international trade. Shifts towards 'Look East' and 'Act East' policies in the 2000s expanded India's trade horizons and economic ties with neighboring countries. India's foreign trade policy remains critical for sustaining growth, creating employment opportunities, and fostering global partnerships. Balancing domestic needs with international obligations will be pivotal for India's trade policy in the future.



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