

Similarly, support for  
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Similarly, export promotion measures and schemes adopted by the government since 1991 were more innovative and better implemented resulting in strengthened exports of major commodities like gems and jewellery, handicrafts, textiles, engineering goods, chemicals and related products, and ores and minerals. However, the process of strengthening the export promotion schemes is, by its very nature, an unending one. By now, Indian economy has become reasonably resilient. Under the circumstances, a systematic and phased removal of quantitative restrictions on imports, reduction of import duties and relaxation of procedural hurdles is not expected to harm the economy. Chinese experience of opening up domestic economy to import competition also validates this conclusion. Indian economy has exhibited an inherent capability of restructuring in tune with international norms and has acquired some competitive strength in the process. We have accepted the validity of the claim that a policy of import substitution and “ self-sufficiency” pushes an economy towards economic isolation (resulting in retardation of growth) while a policy of “ self-reliance” opens it up to global dynamism and growth multipliers.

A vibrant and healthy financial sector is an essential support for a healthy and well-performing external sector. Indian financial system has crossed several milestones on the road to strengthening itself. But it still suffers from several weaknesses which must be overcome. These weaknesses include the vulnerability of small investors to speculative practices of some players, and insufficient information of the risks involved.

The system needs to strengthen its institutional framework and improve its management of risk exposure, etc., in tune with international norms. For

decades, our economy suffered from our opposition to FDI and preference for external loans. This eventually led us to a situation of huge external indebtedness and a burdensome cost of debt servicing. In 1991, we materially shifted from this position and started wooing FDI. And, it has proved helpful in improving the performance of our external sector.

We are initiating ever new measures for encouraging the inflow of FDI, the latest being allowing it in the construction sector including residential and commercial complexes as also infrastructural project. Till very recently, our efforts at diversifying our export destinations had been weak and half-hearted. We had more or less stuck to our traditional trade partners. USA still continues to be our major trade partner followed by UK, and some other European countries, Japan, and the UAE.

While other countries forged ahead with regional trade arrangements, we more or less ignored this potential till the turn of the twentieth century. However, we have now realised the need to follow this world-wide trend of seeking regional trading agreements and gaining from the resultant trade expansion. We have entered some trade agreements and are seeking some more. At the same time, we have also started efforts in exploring new export markets. It is imperative to strengthen these efforts still further.

To quote from the Economic Survey, 2002-03: “ Over the years, trade policy has undergone fundamental shifts to correct the earlier anti-export bias through the withdrawal of quantitative restrictions (QRs), reduction and rationalization of tariffs, liberalization of the trade and payments regime, and improved access to export incentives, besides a realistic and market based

exchange rate. The focus of these reforms has been on liberalization, openness, transparency and globalization with a basic thrust on outward orientation focusing on export promotion activity and improving competitiveness of Indian industry to meet global market requirements. Synergy between these policies/ strategies is expected to realize India's strong export potential and enhance the overall competitiveness of its exports."