

WELCOME TO ECONOMICS CLASS

CHAPTER NUMBER: 04 GLOBALISATION AND INDIAN ECONOMY
SUB-TOPIC-LIBERALIZATION AND INDIAN ECONOMY
PERIOD-5

LIBERALISATION OF FOREIGN TRADE AND FOREIGN INVESTMENT POLICY

CASE STUDY-CHINESE TOYS IN INDIA.

- ★ LIBERALISATION-The economic liberalisation in India refers to the economic liberalization of country's economic policies with the goal of making the economy more market and service-oriented and expanding the role of private and foreign investment.

TRADE BARRIER-A barrier to trade is a government imposed restraint on the flow of international goods or services.

- The most common barrier to trade is a tariff-a tax on imports.
- Tariff raise the price of imported goods relative to domestic goods.
- Export and import quotas.

FEATURES OF LIBERALISATION

1. Freedom of opening/starting production unit.
2. Use of new machines and technology.
3. No Government interference in production.
4. Free flow of foreign investment.
5. Emphasis was laid on simplifying export and import procedure.
6. Restrictions on the movement of goods and services was removed.

THE STRATEGY BEFORE 1991-

1. Tax on imports is an example of trade barrier. It is called a barrier because some restriction has been set up.
2. The government can use trade barriers to increase or decrease foreign trade and to decide what kind of goods and how much of each, should come into the country.
3. The Indian government, after Independence, had put barriers to foreign investment.

4. This was considered necessary to protect the producers within the country from foreign competition.

THE STRATEGY AFTER 1991-

5. Barriers to foreign trade and foreign investment were removed to a large extent.

6. This meant that goods could be imported and exported easily and also foreign companies could set up factories and offices here.

7. Removing barriers or restriction set by the government is w known as liberalization
8. The government imposes much less restriction than before and is therefore said to be more liberal.

OBJECTIVES OF LIBERALISATION POLICY

1. To increase international competitiveness of industrial production, foreign investment and technology.
2. To increase the competitive position of Indian goods in the international markets.
3. To improve financial discipline and facilitate modernisation.
4. To decrease the debt burden of the country.

A graphic featuring two hands, one from the left and one from the right, with index fingers pointing towards a small globe of the Earth in the center. The background is a gradient of blue and cyan with a bright circular glow behind the globe. The text 'THANKING YOU' is in black and 'ODM EDUCATIONAL GROUP' is in red, both centered over the image.

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