Research Paper

EPRA International Journal of Economic and Business Review-Peer Reviewed Journal
Volume - 13, Issue - 10, October 2025 | e-ISSN: 2347 - 9671| p- ISSN: 2349 – 0187

SJIF Impact Factor (2025): 8.862 || ISI Value: 1.433 || Journal DOI URL: https://doi.org/10.36713/epra2012

FOREIGN TRADE POLICY REFORMS IN INDIA: IMPACT ON TRADE PERFORMANCE

Bhisham Datt[1], Dr. (Prof) Parmil Kumar[2]

[1]*Research Scholar, Sahu Jain College, Najibabad (Mahatma Jyotiba Phule Rohilkhand University, Bareilly)*
[2]*Professor in Commerce, Sahu Jain College, Najibabad (Mahatma Jyotiba Phule Rohilkhand University, Bareilly)*

ABSTRACT DOI No: 10.36713/epra24268 Article DOI: https://doi.org/10.36713/epra24268

In this paper, researchers study and analyse the impact of foreign trade policy reforms on India's trade performance since independence. Initially after independence, India followed protectionism, using import substitution and strict trade controls to support domestic business and industries. This approach became unsustainable, and resulted in inefficiency and slow growth. In 1991, country was facing a balance of payments crisis. And hence, India started major economic reforms, lowering barriers of trade, ending licensing, and moving towards a market-driven forex rate. These changes started a period of privatisation, liberalization, globalization, trade expansion, and focus on exports.

The researchers used secondary time-series data from 1991–92 to 2022–23 to analyse trends in exports, imports, and total trade. The findings approve a significant improvement in trade performance during the period of reforms. Trade volumes increased sharply, exports became more diversified, and India became more integrated into the world economy. However, growth patterns remained cyclical and were strongly affected by global events such as financial crises and the COVID-19 pandemic. Despite strong growth, total exports remained behind total imports due to ongoing high import demands.

The researchers suggest further policy focus on export diversification, digital trade processes, SME support, and building resilience to global shocks to continue improving India's global trade standing.

KEY WORDS: ***Foreign Trade Policy, Export-Import Policy (EXIM), Economic Reforms, Foreign Trade Performance.***

INTRODUCTION

Foreign trade policy of India has been changed since independence. In the beginning, the country relied on a protectionist approach, and used import substitution and strict regulations for growth of domestic industries and promoting self-reliance (Jadhav & Satpute, 2014). Over the period, this approach began to show its limitations. Industries became less competitive, and the economy struggled to adapt to global changes. External pressures and budding inefficiencies made it clear that a closed economy could not sustain growth persistently (Pedersen, 2000).

A decisive move came in 1991, during a severe balance of payments crisis. The government launched sweeping economic reforms to stabilize the economy and open it to the world. Trade barriers were lowered, import licensing was dismantled, and a flexible exchange rate system was introduced. These changes, driven by the then Finance Minister Manmohan Singh, marked the beginning of India's liberalization era. The careful coordination between exchange rate policy and trade liberalization was crucial to the success of these reforms (Irwin, 2025). The 1991 reforms were more than just a short-term crisis response. They reflected a wider vision—making industries more efficient, boosting exports, and integrating India with the global economy (Panagariya, 2024; Bhala, 2023). Over the next several years, tariff structures were rationalized, systems were modernized, and export promotion became a focus of trade policy.

Further reforms through helped build on these gains. Policymakers also dealt with emerging challenges such as sector-specific support and anti-dumping measures (Vardhan, 2017). Research suggests that liberalization had a clear positive impact: exports expanded rapidly, India's trade partners diversified, and domestic firms grew more competitive (Topalova, 2004).

Studies on the post-reform period highlight steady export growth, stronger balance of payments, and deeper participation in global value chains. Latest trade policy, the Foreign Trade Policy 2023, place emphasis on digitalization, production-linked incentives, and ambitious export targets—signalling India's effort to adapt to a fast-changing global trade environment (Bhala, 2023).

Against this backdrop, the present paper examines how foreign trade policy reforms have shaped India's trade performance. It

draws on academic studies and policy analyses to explore government initiatives and trade trends. The goal is to understand the links between policy reforms and trade outcomes, and to identify the priorities needed to strengthen India's performance in global trade.

LITERATURE REVIEW

Amarasena (2020) in his paper 'Growth and structure of India's foreign trade since the post reform period' discusses foreign trade, WTO, exports, and imports. The objectives were to study the growth of exports and imports in India, and to analyse changes in their composition during the post-reform period. The study is based on time series secondary data from 1990 to 2018, sourced from the RBI handbook of statistics.

Kalyan (2020), through his paper "An analysis of India's foreign trade during pre and post economic policy," argues that foreign trade acts as a catalyst for growth and development. The study covers 48 years of trade, including the pre-reform period (1970–1991) and post-reform period (1991–2018). The analysis, based on time series data, reveals that post-reform import growth exceeded export growth, even though exports and imports both contributed significantly to GDP.

Roy and Roy (2020) analyze the relationship between foreign trade policy and economic growth in India using annual data from 1970 to 2018. Employing Johansen cointegration and VECM, they find both long-term and short-run dynamics, with adoption of the 1991 reforms having a clear positive effect on economic development and trade policy.

Singh and Kumar (2020) empirically examine the relationship between India's GDP, exports, and imports using time-series data from 1995 to 2018. Using unit root tests, cointegration, and VECM Granger causality, they find a bi-directional relationship between GDP and exports and a uni-directional relation from GDP to imports. The results imply important policy directions for India's $5 trillion economy target.

Gurung and Rai (2020) focus on determinants of India's exports over 25 years (1990–2015). Using regression models, they show that world income and relative prices impact export demand, while GDP, REER, and trade openness determine export supply. Their analysis stresses the significance of macroeconomic and international variables in shaping India's exports.

Bhattacharya and Sachdev (2021) in their study "A study on growing Indian Economy in relation to the International Foreign trade" describe India's growing economic integration with the world, highlighting infrastructure development, technology adoption, 100% FDI policies, and the "Made in India" initiative. They argue that foreign trade not only fosters growth but promotes strategic diplomatic ties, with MSMEs playing a crucial role in GDP growth.

Mani (2021) stresses that economic decision-making has become central to governments and examines India's export performance after the 1991 reforms till 2018. Using secondary data from WITS, she shows the trends in exports and imports and evaluates broader post-reform trade performance.

Narlikar (2021) evaluates India's foreign economic policy under the Modi government. He highlights both achievements and limitations, arguing that while domestic economic reforms under Modi were successful, foreign economic reforms remained aligned with earlier cautious approaches at the WTO and other platforms.

Tiwari (2021) compares India's trade before and after the 1991 reforms. Using secondary data and paired t-test analysis, he finds that while trade expanded significantly post-reform, the rate of import growth exceeded export growth. His findings indicate India's dependence on imports, even amid growing exports.

Anusha and Nazneen (2021) study India's major trade partners, particularly the UK and US. Using secondary data from government reports, they explore trade trends in 2019–20 and note persisting trade imbalances. The analysis underscores the importance of bilateral trade terms and global positioning of India's trade policy, including EXIM policy schemes.

Shrestha (2021) focuses on Nepal's foreign trade direction, with India as the largest partner. Using secondary data, he highlights Nepal's growing trade deficit with India, showing India's centrality in Nepal's overall trade patterns.

Pillai (2023), in "Decoding India's Economic Reforms: A 30-Year Review," critically evaluates reforms started in 1991. Using a qualitative review approach with secondary data and case studies, the paper assesses short- and long-term impacts of reforms, including challenges like inequality and environmental stress.

Dwivedi (2023) compares India's trade in pre- and post-reform periods (1970–1990 vs. 1992–2012). Using secondary data with paired t-tests, he finds reforms significantly boosted trade performance, establishing a strong positive relationship between reforms and trade growth.

Barbhuiya (2023) states that foreign trade has been a key growth driver, with exports positively influencing GDP. His empirical study applies regression analysis and ADF test, concluding that despite export growth, India's trade balance remains negative due to high crude oil imports.

Monika and Kirubagaran (2024) studied public opinion on trade and economic growth in Tamil Nadu using convenience sampling of 211 respondents. Survey data revealed mixed attitudes, with evidence of trade contributing to growth but also concerns about external dependence.

Verma (2024) focuses on India's trade policies during Atal Bihari Vajpayee's government, highlighting his role in liberalization, bilateral engagement, and international integration. Using secondary data and descriptive analysis, the paper underscores Vajpayee's significant contributions in boosting India's trade competitiveness.

Kumar (2025) explores India's evolving foreign economic policy in the context of global economic transformations. He emphasizes India's shift from protectionism to liberalization, with policies balancing openness and strategic autonomy.

Aiman (2025) studies India as an emerging economy, concluding that it has become one of the top three developing nations in global trade engagement. He emphasizes trade's role in stimulating growth and investment inflows, supported by both theoretical and empirical evidence.

OBJECTIVES OF THE STUDY

1. To analyse trade performance in the post-reform period by studying trends in exports, imports, and total trade using time-series data.
2. To provide policy recommendations for strengthening India's trade competitiveness and aligning foreign trade policy

HYPOTHESIS

Null Hypothesis (H_0): There is no significant increase in India's trade performance (exports, imports, and total trade) in the post-reform period.

Alternative Hypothesis (H_1): There is a significant increase in India's trade performance (exports, imports, and total trade) in the post-reform period.

RESEARCH METHODOLOGY

The study adopts a **descriptive and analytical research design** based on secondary data, focusing on time-series analysis to evaluate India's foreign trade performance in the post-reform period. Only **secondary data** has been used, from the official annual Economic Survey of India, which provides comprehensive statistics on exports, imports, and total trade over time. The main analysis involves time-series techniques to identify trends, growth patterns, and fluctuations in trade indicators, using Percentage change calculations.

FOREIGN TRADE POLICY REFORMS IN INDIA

After achieving independence, the country followed a **protectionist trade policy**. The Export-Import Policy (EXIM Policy) of India, emphasized over self-reliance. Import substitution was encouraged by Govt. of India, through **high tariffs, stringent licensing, and effective controls**. Exports to the world, were regulated with limited incentives. The main goal of policy was to protect domestic industries and preserve foreign exchange with slight global integration.

Prior to 1985, the Indian Government used to announce export and import policies annually. To maintain uniformity and stability, Govt. decided to prepare export and import policy for 3 years. The first three-year policy was announced in 1985

EXIM Policy 1985: In year 1985, the government launched its **first formal export import (EXIM) Policy**. Aim was to promote exports and ease some of the import restrictions. This policy was a slow shift from protectionism to the liberalization. However, the government still maintained overall trade controls.

EXIM Policy 1988: The Export-Import Policy of 1988 was another 3-year policy. It was announced to promote exports and regulate imports in a balanced way. This policy encouraged Indian industries to compete in global markets. It tried to reduce unnecessary restrictions on exporters. At the same time, it controlled imports to protect domestic industries. Essential raw materials, capital goods, and technology were allowed to be imported more easily. It was a step towards opening India's trade. It laid the foundation for the bigger reforms that came in 1991.

EXIM Policy 1992–1997: In 1991 country faced balance of payments crisis. As a result, the nation adopted **first comprehensive**

EXIM Policy 1992–97. It abolished most import licensing, reduced tariffs, and adopted market-based exchange rates. Export promotion tools like **Duty Drawback** were strengthened, and procedures simplified. This was a historic move toward liberalization.

EXIM Policy 1997–2002: This policy focused on **consolidation**. Tariffs were rationalized, and Special Economic Zones (SEZs) were supported to boost exports. Export diversification and trade infrastructure were prioritized to make country more competitive in global markets.

FTP 2004–2009: The FTP 2004–09 introduced **new export incentives** and technology upgradation schemes. It pushed Indian firms to integrate with global value chains. India signed more **regional and bilateral trade agreements**, strengthening external engagement.

FTP 2009–2014: The FTP 2009–14 improved **digitization of procedures** and recognized high-performing exporters. Special focus was given to SMEs through cluster development programs. India also expanded its network of Free Trade Agreements (FTAs) during this period.

FTP 2015–2020: The FTP 2015–20 made a big push for **digital facilitation**. Paperless trade, online monitoring systems, and simplified compliance were introduced. Policies were aligned with **Make in India** and **Digital India** initiatives. Export basket diversification and new incentive schemes supported India's manufacturing sector.

FTP 2023: The FTP 2023 sets a long-term export target of **$2 trillion by 2030**. It emphasizes sustainable growth, digital trade, and market diversification. New measures include support for **e-commerce exports**, greater role for SEZs, Towns of Export Excellence, and digital single-window systems. The focus is on integrating India with global value chains while ensuring inclusive growth.

ANALYSIS OF TRADE PERFORMANCE

EXPORT, IMPORT, AND TOTAL TRADE DATA FROM 1991-92 TO 2022-23

Year	Exports (In US $ Million)	Exports Growth Rate (YoY%)	Imports (In US $ Million)	Imports Growth Rate (YoY%)	Total Trade (In US $ Million)	Total Trade Growth Rate (YoY%)
1991-92	17,865	------	19,411	------	37,276	------
1992-93	18537	3.8	21,882	12.7	40,419	8.4
1993-94	22,238	20.0	23,306	6.5	45,544	12.7
1994-95	26,330	18.4	28,654	22.9	54,984	20.7
1995-96	31,797	20.8	36,678	28.0	68,475	24.5
1996-97	33,470	5.3	39,133	6.7	72,603	6.0
1997-98	35,006	4.6	41,484	6.0	76,490	5.4
1998-99	33,218	- 5.1	42,389	2.2	75,607	-1.2
1999-2000	36,715	10.5	49,738	17.3	86,453	14.3
2000-01	44,076	20.0	49,975	0.5	94,051	8.8
2001-02	43,827	- 0.6	51,413	2.9	95,240	1.3
2002-03	52,719	20.3	61,412	19.4	114,131	19.9
2003-04	63,843	21.1	78,149	27.3	141,992	24.4
2004-05	83,536	30.8	111,517	42.7	195,053	37.4
2005-06	103,091	23.4	149,166	33.8	252,257	29.3
2006-07	126,414	22.6	185,735	24.5	312,149	23.7
2007-08	163,132	29.0	251,654	35.5	414,786	32.9
2008-09	185,295	13.6	303,696	20.7	488,991	17.9
2009-10	178,751	-3.5	288,373	-5.0	467,124	-4.5
2010-11	249,816	39.8	369,769	28.2	619,585	32.6
2011-12	305,964	22.5	489,319	32.3	795,283	28.3
2012-13	300,401	−1.8	490,737	0.3	791,138	−0.5
2013-14	314,405	4.7	450,200	−8.3	764,605	−3.4
2014-15	310,338	−1.3	448,033	−0.5	758,371	−0.8
2015-16	262,291	−15.5	381,008	−15.0	643,299	−15.2
2016-17	275,852	5.2	384,357	0.9	660,209	2.6
2017-18	303,526	10.0	465,581	21.1	769,107	16.5
2018-19	330,078	8.7	514,078	10.4	844,156	9.8
2019-20	313,361	−5.1	474,709	−7.7	788,070	−6.6
2020-21	291,808	−6.9	394,436	−16.9	686,244	−12.9
2021-22	422,004	44.6	613,052	55.4	1,035,056	50.9
2022-23	451,070	6.9	715,969	16.8	1,167,039	12.8

India's trade performance from 1991-92 to 2022-23 is a story of steady expansion, resilience, and transformation. Starting with the exports and imports of around $18–19 billion in 1991-92, trade volumes grew rapidly after policy shift, crossing $70 billion by the mid-1990s. The late 1990s saw a slowdown due to the financial crisis, but recovery came by 1999-2000. The early 2000s marked a strong upward trend, with exports crossing $60 billion and total trade reaching $140 billion by 2003-04, supported by India's IT and services boom. The mid-2000s were a golden phase, as exports doubled and imports surged, pushing total trade beyond $400 billion by 2007-08. The global financial crisis of 2008-09 caused a dip, but recovery was swift, and by 2011-12 trade had touched nearly $800 billion. The years 2012-2016 brought stagnation, with exports hovering around $300 billion and imports slowing due to weak global demand and falling commodity prices. Growth revived in 2017-19, but the COVID-19 pandemic sharply reduced trade in 2020-21, pulling it down to $686 billion. The rebound was dramatic in 2021-22, when exports jumped 45% and imports 55%, taking total trade past the historic $1 trillion mark. By 2022-23, India consolidated this achievement with $451 billion in exports, $716 billion in imports, and $1.17 trillion in total trade. Over three decades, India's trade expanded more than thirtyfold, weathering crises yet consistently moving upward, though imports have outpaced exports.

After going through the above analysis, the **null hypothesis (H0)** is rejected. Trade performance significantly improved in the post-reform period. However, the growth was **highly cyclical**, often shaped by global conditions such as financial crisis of 2008, COVID-19 shock, etc.

SUGGESTIONS

- **Increase Export Incentives and Facilitation:** Strengthen export incentives—such as Duty Drawback and technology upgradation schemes—to promote greater export growth, drawing on successful policies outlined in past FTPs like those from 1992–97 and 2004–09.
- **Expand Digitization of Trade Processes:** Further enhance digital facilitation—including paperless trade, online monitoring, and digital single-window systems—to simplify compliance and speed up export-import

procedures, as successfully implemented in FTP 2015–20 and FTP 2023.

- **Support MSMEs and Cluster Development:** Provide targeted support for MSMEs and promote cluster development programs, as emphasized in FTP 2009–14, enabling broader participation in export sectors and strengthening their global competitiveness.
- **Promote Export Basket Diversification:** Encourage diversification in the export basket by supporting both traditional and new sectors through specific policy measures, as seen during FTPs focused on manufacturing and export basket expansion.
- **Enhance Role and Efficiency of SEZs:** Strengthen the role of Special Economic Zones (SEZs) in export promotion and inclusive growth, guided by measures highlighted in FTP 1997–2002 and FTP 2023.
- **Focus on Market Diversification:** Pursue diversification of export markets with special support for entry into new markets (such as through Towns of Export Excellence and international engagement), as prioritized in FTP 2023.
- **Align Trade Policy with National Initiatives:** Continue aligning foreign trade policy with broader national initiatives like Make in India and Digital India, ensuring coherence and support for both manufacturing and digital trade, as observed in FTP 2015–20.
- **Promote Recovery Readiness and Resilience:** Develop trade policies that enhance resilience to external shocks—drawing on the experience of sharp rebounds after global crises (2008, COVID-19)—with policies supporting rapid export and import recovery.

CONCLUSION

The study shows that **India's foreign trade performance has improved significantly in the post-reform period**. The hypothesis that reforms boosted trade is confirmed. Exports and imports increased manifold.

However, the analysis also confirms that trade growth has been **cyclical and heavily influenced by global events** such as the Asian crisis, financial crisis of 2008, and the COVID-19 pandemic. While liberalization policies triggered strong growth (especially in 1992–97 and 2004–09), later phases witnessed a slowdown due to external shocks and persistent internal bottlenecks.

Despite all advances, India's **trade deficit remains a consistent challenge**, largely due to heavy reliance on essential imports. Thus, while reforms have deepened India's global integration and raised competitiveness, future focus must be on addressing structural weaknesses, boosting high-value exports, and ensuring resilience against global uncertainties.

If trade policy aligns closely with infrastructure development, innovation, and sustainable growth, **India can strengthen its position in the global economy.**

REFERENCES

1. ***Pedersen, J. D. (2000).*** *Explaining economic liberalization in India: State and society perspectives. World Development, 28(2), 265–282.*
2. ***Topalova, P. (2004).*** *Trade liberalization and firm productivity: The case of India. International Monetary Fund Working Paper No. 04/28. https://www.imf.org/*
3. ***Jadhav, B. R., & Satpute, A. S. (2014).*** *Direction and composition of India's foreign trade. Indian Streams Research Journal, 4(12), 1–6.*
4. ***Bhala, R. (2023).*** *A trilogy on India's contemporary international trade policy: Part one – 1991 first generation reforms and aftermath. Manchester Journal of International Economic Law, 20, 199–235. https://ssrn.com/abstract=4631670*
5. ***Panagariya, A. (2024).*** *India's trade policy and a road map for its future. The 1991 Project. https://the1991project.com/sites/default/files/2024-07/4955_Panagariya_India_Trade_Policy_MR_v1_compressed.pdf*
6. ***Irwin, D. A. (2025).*** *Dismantling the License Raj: The long road to India's 1991 trade reforms (No. w33420). National Bureau of Economic Research. https://www.nber.org/papers/w33420*
7. ***Amarasena, D. (2020).*** *Growth and structure of India's foreign trade since the post reform period. International Journal of Foreign Trade and International Business.*
8. ***Kalyan, C. (2020).*** *An analysis of India's foreign trade during pre and post economic policy. International Journal of Foreign Trade and International Business.*
9. ***Roy, S., & Roy, S. (2020).*** *Foreign trade policy and economic growth: Indian evidence.*
10. ***Singh, K.N., & Kumar, A. (2020).*** *Empirical analysis of India's foreign trade and economic growth. International Journal of Research, 8, 105-111.*
11. ***Gurung, R., & Rai, R. (2020).*** *Determinants of India's Exports in the Post-Reforms Period. International Journal of Economics and Management Studies, 7, 74-79.*
12. ***Bhattacharya, D.S., & Sachdev, B.K. (2021).*** *A study on growing Indian Economy in relation to the International Foreign trade. World Journal of Advanced Research and Reviews.*
13. ***Mani, D.N. (2021).*** *Trends of India's Foreign Trade in the Post economic Reforms Period.*
14. ***Narlikar, A. (2021).*** *India's foreign economic policy under Modi: negotiations and narratives in the WTO and beyond. International Politics, 59, 148 166.*
15. ***Tiwari, C.N. (2021).*** *A Comparative Study of India's Foreign Trade in Pre and Post Reform Era. International Journal for Research in Applied Science and Engineering Technology.*
16. ***Anusha, T., & Nazneen, S. (2021).*** *India's Major Trade Partners UK and US.*
17. ***Shrestha, R.K. (2021).*** *Direction of Foreign Trade of Nepal. Dristikon: A Multidisciplinary Journal.*
18. ***Pillai, S. (2023).*** *Decoding India's Economic Reforms: A 30 Year Review. ShodhKosh: Journal of Visual and Performing Arts.*
19. ***Dwivedi, D.U. (2023).*** *A Comparative Study of India's Foreign Trade in Pre and Post Reform Period. International Journal of Scientific Research in Engineering and Management.*
20. ***Barbhuiya, D.M. (2023).*** *Impact of foreign trade on economic growth in India in the post reform period: An empirical analysis. EPRA International Journal of Economic and Business Review.*
21. ***Monika J.K., & Kirubagaran, K. (2024).*** *Public Opinion on Effect Oon Foreign Trade Activities on The Economic Growth of India. International Journal for Multidisciplinary Research.*

22. ***Verma, N.M. (2024).*** *India's trade related policies during Atal Bihari Vajpayee government. Brazilian Journal of Development.*
23. ***Kumar, L. (2025).*** *India's Foreign Economic Policy in The Current Global Impact. Journal of Advances and Scholarly Researches in Allied Education.*
24. ***Aiman, U. (2025).*** *The Impact of International Trade on Emerging Economies: A Study of India. International Journal for Multidisciplinary Research.*