

## Reforms, Resilience, and Global Linkages: India's Foreign Trade Story (1991–Present)

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### Abstract

The liberalisation of India's economy in 1991 marked a turning point in its post-independence development trajectory. Triggered by a severe balance-of-payments crisis, the reforms dismantled a highly restrictive trade and industrial regime and introduced policies aimed at integrating India into the global economy. This paper critically examines the transformation of India's foreign trade over the past three decades, highlighting the magnitude, composition, direction, and policy architecture of trade flows from 1991 to the present. Drawing on secondary data, policy reports, and academic research, it traces the evolution of India's exports and imports, the structural shift from primary goods to manufactured and high-value-added services, and the progression of tariff and non-tariff measures. The findings reveal that India's trade volume increased several-fold, services exports—particularly in information technology and IT-enabled services—emerged as a cornerstone of external earnings, and export composition diversified toward engineering goods, chemicals, and pharmaceuticals. Nevertheless, persistent challenges such as trade deficits, limited participation in global value chains, and infrastructural bottlenecks constrain India's competitiveness in the world economy. The paper argues that while liberalisation transformed India's external sector, trade integration remains partial and uneven, requiring renewed policy attention to trade facilitation, tariff rationalisation, logistics, and regional value-chain participation. It concludes by outlining policy lessons and directions for future research, particularly the need to study firm-level responses and India's integration into global value-added trade.

**Keywords:** India, foreign trade, liberalisation, exports, services, trade policy, globalisation

### 1. Introduction

India's economic reforms of 1991 constitute one of the most significant turning points in its modern economic history. Prior to this watershed moment, India had followed a developmental model characterised by import substitution, extensive state control over production and investment, and restrictive trade policies. The so-called “license-permit-quota raj” shaped economic management for nearly four decades, with high tariff barriers, widespread use of quantitative restrictions, and an industrial licensing regime that discouraged both efficiency and

competitiveness (Bhagwati & Desai, 1970). As a result, India's economy remained relatively closed to international markets, with trade playing a limited role in overall growth.

The balance-of-payments crisis of 1991 compelled a fundamental reorientation of policy. Faced with dwindling foreign exchange reserves—barely sufficient to finance two weeks of imports—the Government of India initiated a comprehensive package of reforms under the stewardship of then Finance Minister Dr. Manmohan Singh. The reforms involved devaluation of the rupee, dismantling of import licensing, rationalisation of tariffs, relaxation of foreign direct investment (FDI) rules, and measures to promote exports. These reforms not only stabilised the crisis but also laid the foundation for India's gradual integration with the global economy (Panagariya, 2004; Singh, 2017).

Foreign trade occupies a central place in understanding the long-term impact of liberalisation. Trade policy liberalisation directly influences resource allocation, production structures, and industrial competitiveness, while also shaping macroeconomic stability through its effects on the balance of payments. India's experience is particularly significant in the context of globalisation: while several East Asian economies embraced export-led growth strategies in earlier decades, India entered the global economy relatively late. Yet, over the three decades since liberalisation, the country has emerged as one of the world's fastest-growing economies, with its foreign trade reflecting both opportunities and challenges of integration.

The objectives of this paper are threefold. First, it seeks to document the major quantitative trends in India's exports and imports since 1991, with a focus on both absolute growth and trade openness relative to GDP. Second, it analyses the structural transformation of trade composition, including the decline of primary goods, the rise of manufacturing, and the unique expansion of services exports—especially information technology (IT) and IT-enabled services (ITES). Third, it evaluates the evolution of India's trade policy instruments, such as tariffs, non-tariff measures, and export incentives, and considers their macroeconomic implications for the trade balance and balance of payments. In pursuing these objectives, the paper situates India's trade reforms in the broader global context. The period since 1991 has been marked by the establishment of the World Trade Organization (WTO) in 1995, the expansion of global value chains, and the rise of emerging economies as major trading powers. India's trajectory is assessed relative to these global dynamics, with an emphasis on how domestic reforms interacted with external conditions.

The significance of this study lies not only in documenting India's foreign trade transformation but also in critically engaging with the gaps and limitations of liberalisation. While trade volumes expanded and services exports flourished, India's integration into high-value global production networks has been partial compared to East Asian economies such as China, South Korea, or Vietnam. Similarly, persistent trade deficits and infrastructural bottlenecks raise questions about the sustainability and inclusiveness of India's trade-led growth. By synthesising evidence from secondary sources, this paper contributes to an informed understanding of India's external sector performance and the policy lessons for future growth.

## **2. Literature Review**

The academic and policy literature on India's foreign trade after liberalisation is vast and multidimensional. Scholars have examined not only the quantitative expansion of trade but also the institutional, structural, and policy-related dynamics that shaped India's integration into the global economy. This review surveys key contributions across three broad themes: (i) the pre-liberalisation trade regime and rationale for reforms; (ii) the immediate and long-term impacts of the 1991 reforms on trade volumes and composition; and (iii) ongoing debates concerning competitiveness, services dominance, and partial global integration.

The roots of India's restrictive trade policy lie in its post-independence developmental model, which emphasised self-reliance and import substitution. Bhagwati and Desai (1970) provide a foundational account of how trade and industrial policy was heavily interventionist, relying on high tariffs, quantitative restrictions, and complex licensing systems. This regime was designed to protect domestic industries, conserve scarce foreign exchange, and promote industrialisation through domestic capacity-building. However, by the late 1980s, scholars had begun to highlight the inefficiencies of this inward-looking model. Panagariya (2004) argued that protectionism discouraged efficiency, limited competition, and distorted resource allocation, resulting in sluggish export performance and a narrow industrial base.

The literature converges on the view that the 1991 balance-of-payments crisis served as the immediate trigger for reform (Singh, 2017). The crisis exposed the unsustainability of high fiscal deficits, external imbalances, and a closed trade regime. The International Monetary Fund (IMF) and World Bank conditionalities associated with the stabilisation programme also created external pressure for liberalisation. Policy papers and early assessments emphasised that reforms were not

merely crisis-driven adjustments but represented a structural break from the inward-oriented policy trajectory (Joshi & Little, 1996).

The reforms encompassed a range of trade-specific measures: rationalisation of tariff structures, removal of import licensing, dismantling of quantitative restrictions, and gradual liberalisation of services trade (Singh, 2017). Importantly, the reforms were accompanied by macroeconomic stabilisation measures, like exchange rate adjustments and fiscal consolidation, that reinforced the outward orientation. Scholars such as Ahluwalia (2002) and Srinivasan and Tendulkar (2003) highlight how trade policy changes were embedded within a broader package of economic reforms covering industrial deregulation, financial liberalisation, and foreign investment.

Empirical analyses document a clear break in India's trade trajectory after 1991. Using national accounts and international datasets, IMF (2015) and Panagariya (2004) identifies this as a key indicator of India's shift from autarky to greater openness. Studies also note significant structural changes: the declining share of primary commodities, the rise of manufactured goods (engineering products, chemicals, pharmaceuticals), and the emergence of services exports as a distinctive strength (Sinha, 2023; Mathur, 2006).

The role of services, particularly information technology (IT) and business process outsourcing (BPO), has been emphasised in numerous studies. Mathur (2006) attributes the services boom to India's abundant skilled labour, improvements in telecommunications, and favourable policy support. The IMF (2015) identifies services exports as a stabilising factor in India's balance of payments, less volatile than merchandise exports and contributing consistently to foreign exchange earnings.

Another stream of literature assesses the evolution of trade policy instruments. Singh (2017) and the Peterson Institute for International Economics (PIIE, 2021) highlight the substantial reduction in applied tariff rates since 1991. Peak tariffs declined from prohibitive levels above 300 percent to below 10 percent in many sectors by the 2000s. Quantitative restrictions were phased out, and tariff structures were simplified, although not fully rationalised. Yet, scholars note the persistence of complex duty structures, frequent use of contingent protection (anti-dumping, safeguard measures), and periodic reversals that create policy uncertainty. Institutional measures such as Special Economic Zones (SEZs), export promotion councils, and export credit schemes have been studied for their effectiveness. Farole (2011), in a comparative study of SEZs, finds that

while India's zones boosted exports in some sectors, their performance was uneven and often disconnected from domestic value chains.

Despite liberalisation, critical perspectives highlight enduring weaknesses. First, India's trade-to-GDP ratio remains lower than that of many East Asian economies that pursued export-led growth strategies earlier (Rodrik, 2007). Scholars argue that supply-side constraints—poor infrastructure, high logistics costs, and regulatory bottlenecks—limit India's export competitiveness (Singh, 2017; PIIIE, 2021). Second, India's integration into global value chains (GVCs) has been partial. Baldwin (2016) shows how economies like China and Vietnam embedded themselves deeply in electronics and machinery value chains, whereas India remained concentrated in services and select manufacturing segments. This limited integration reduces opportunities for technology transfer, industrial upgrading, and large-scale employment creation.

Third, the literature highlights distributional and inclusiveness concerns. While IT and services exports generated substantial earnings and high-skilled employment, labour-intensive sectors such as textiles and leather did not witness commensurate growth (Kaplinsky, 2013). This has contributed to what some scholars call “jobless growth,” where export expansion does not translate into broad-based employment.

More recent commentaries address contemporary trade policy developments. The PIIIE (2021) argues that India's initial reform momentum has stalled, with protectionist tendencies resurfacing in certain sectors. The government's withdrawal from the Regional Comprehensive Economic Partnership (RCEP) in 2019 is cited as an indicator of cautious trade diplomacy. The COVID-19 pandemic further disrupted global trade flows, prompting renewed debates about resilience, supply chain security, and the balance between self-reliance and openness (UNCTAD, 2021).

The literature thus presents a balanced picture. There is broad consensus that liberalisation substantially increased India's trade volumes, diversified export composition, and reduced protectionist barriers. At the same time, scholars highlight that trade liberalisation has been incomplete, with persistent structural, institutional, and competitiveness challenges. The Indian case illustrates both the transformative potential and the limitations of trade reforms in late-industrialising economies.

### 3. Methodology

This study adopts a **qualitative–quantitative synthesis approach** that relies primarily on secondary sources, descriptive analysis, and interpretive methods to examine India’s foreign trade after liberalisation. The objective is not to conduct econometric modelling but to present a comprehensive and evidence-based account of how India’s external trade has evolved since 1991.

#### 3.1. Research Design

The research is structured as a longitudinal, descriptive study covering the period from 1991—the year of major liberalisation reforms—to the present. It draws on macroeconomic indicators, policy documents, and scholarly literature to identify trends, structural changes, and policy implications. A mixed-method approach is employed: quantitative trends are analysed using available statistical indicators, while qualitative assessments from academic studies and policy reports provide interpretive insights.

#### 3.2. Data Sources

The study draws from a range of reliable and internationally recognised sources:

- **International databases:** World Bank *World Development Indicators*, International Monetary Fund (IMF) working papers and trade elasticity studies, and UNCTAD trade reports are utilised for aggregate trade flows, exports as a percentage of GDP, and balance-of-payments data.
- **National data:** Reserve Bank of India (RBI), Ministry of Commerce and Industry, and Directorate General of Foreign Trade (DGFT) provide statistics on exports, imports, tariff structures, and policy initiatives.
- **Policy papers and institutional reports:** Brookings India, the Peterson Institute for International Economics (PIIE), NITI Aayog, and WTO trade policy reviews offer context on institutional and regulatory reforms.
- **Academic literature:** Studies by Panagariya (2004), Singh (2017), Sinha (2023), and others are consulted to frame the historical and analytical context of trade liberalisation and its outcomes.

### 3.3. Analytical Framework

The analysis proceeds along three interconnected dimensions:

1. **Trade Magnitude and Openness:** Using indicators such as exports and imports in current US dollars, exports of goods and services as a share of GDP, and total trade-to-GDP ratios, the study traces India's increasing integration into global markets.
2. **Composition and Direction of Trade:** The changing structure of exports and imports is examined, focusing on the decline of primary commodities, the rise of manufacturing and engineering goods, and the emergence of services—especially IT and IT-enabled services—as major drivers of foreign exchange earnings. Shifts in trading partners and regional diversification are also analysed.
3. **Policy Evolution and Macroeconomic Implications:** The evolution of tariff and non-tariff measures, export promotion schemes, and institutional reforms such as Special Economic Zones (SEZs) are assessed. These are linked to macroeconomic indicators such as trade deficits, current account balances, and foreign exchange reserves.

### 3.4. Scope and Delimitations

The scope of this paper is national and sectoral, focusing on India's foreign trade performance at the aggregate and compositional levels. While cross-country comparisons are occasionally referenced (e.g., East Asia's export-led growth), the study does not attempt detailed econometric benchmarking across nations. Sector-specific case studies (such as textiles, pharmaceuticals, or electronics) are mentioned only insofar as they illustrate broader trends. A key delimitation is that the study relies exclusively on **secondary sources**. It does not conduct primary data collection, firm-level surveys, or econometric modelling. This approach enables a broad synthesis of trends but limits the ability to establish causal inferences about specific policy interventions. For example, while tariff reductions are correlated with export growth, the absence of firm-level or sectoral econometric analysis prevents definitive attribution.

### 3.5. Justification of Approach

Given the wide-ranging nature of India's trade reforms and their multi-sectoral impact, a descriptive and interpretive methodology is appropriate for synthesising three decades of evidence. This approach allows the integration of statistical data, policy analysis, and scholarly debates, thereby presenting a holistic picture. Furthermore, the reliance on secondary data ensures

comparability and consistency with existing research, making the findings relevant to both academic audiences and policymakers.

#### **4. Findings of the Study**

The liberalisation of 1991 transformed India's foreign trade in both magnitude and structure. Over the past three decades, the country has witnessed remarkable expansion in trade flows, diversification of exports, significant policy changes, and new macroeconomic dynamics. This section presents the major findings under seven interrelated dimensions: aggregate growth and openness, structural shifts in export composition, expansion of services trade, changing direction of trade, tariff and non-tariff policy changes, macroeconomic effects, and India's participation in global value chains.

##### **4.1. Aggregate Growth and Openness**

The most immediate and visible outcome of the 1991 reforms was the rapid expansion of foreign trade. Exports and imports, both in absolute terms and as a share of GDP, rose significantly. According to World Bank data, exports of goods and services increased from around 7 percent of GDP in 1991 to nearly 20 percent by the late 2000s, before stabilising in the range of 18–20 percent in the 2010s and early 2020s. Imports also surged, reflecting greater access to capital goods, technology, and consumer products. Trade-to-GDP ratios illustrate India's growing integration with global markets: total trade accounted for less than 20 percent of GDP in the early 1990s, but expanded to over 40 percent by 2012. Although global slowdowns and pandemic-related disruptions have created fluctuations since then, the overall trend underscores the decisive shift from a closed economy to one more open to international commerce.

Scholars attribute this expansion to multiple factors: removal of quantitative restrictions, rationalisation of tariffs, rupee devaluation in 1991 that improved export competitiveness, and the rise of globally competitive service industries (Panagariya, 2004; Singh, 2017). The expansion, however, was less dramatic than in East Asian economies such as China or Vietnam, where trade ratios exceeded 60–70 percent of GDP. India's trade integration, while substantial, thus remained moderate relative to export-led growth models.

#### 4.2. Structural Shift in Export Composition: Manufacturing

A significant structural change in India's trade since liberalisation has been the decline in primary commodities and the rise of manufactured goods. Before 1991, India's exports were heavily dominated by agricultural products, raw materials, and low-value manufactures such as textiles. By the 2000s, however, the export basket had diversified to include engineering goods, chemicals, pharmaceuticals, petroleum products, and gems and jewellery. Sinha (2023) documents that engineering goods became the largest export category, accounting for nearly 25 percent of total exports by 2020. Chemicals and allied products—including pharmaceuticals—gained global prominence, with Indian pharmaceutical exports growing rapidly due to competitive generic drug production. Petroleum products also emerged as a major export after the development of large-scale refining capacity in Gujarat and Maharashtra.

Nevertheless, the composition of exports also highlighted vulnerabilities. Petroleum product exports, for instance, are highly sensitive to fluctuations in global crude oil prices. Similarly, concentration in a few categories means that external shocks in these sectors can disproportionately affect overall export performance. Despite diversification compared to the pre-reform era, India's merchandise exports still lacked the deep integration into advanced manufacturing seen in East Asia.

#### 4.3. Expansion of Services Exports

Perhaps the most distinctive feature of India's post-liberalisation trade has been the extraordinary rise of services exports. In particular, IT and IT-enabled services (ITES) transformed India's external sector profile. Starting from modest levels in the early 1990s, services exports grew exponentially, reaching more than USD 250 billion by 2023 (RBI, 2023).

Several factors contributed to this boom. First, India had a large pool of skilled, English-speaking labour, which provided a competitive advantage in global outsourcing markets. Second, improvements in telecommunications and the liberalisation of the services sector enabled firms to connect with international clients. Third, global demand for IT outsourcing and back-office processing surged during the late 1990s and 2000s.

The IT sector not only generated foreign exchange but also had spill-over effects on urban employment, wages, and India's international image as a knowledge economy (Mathur, 2006; IMF, 2015). Unlike merchandise exports, which are subject to global demand volatility and trade

barriers, services exports have been relatively resilient. This services-led export trajectory distinguishes India from most other emerging economies, where manufacturing typically dominates trade. However, over-reliance on IT services also poses risks. Services exports are concentrated in a few markets—particularly the United States and Europe—making them vulnerable to changes in outsourcing policies or protectionist measures. Furthermore, the benefits of services exports are unevenly distributed, largely accruing to urban, high-skilled workers rather than creating broad-based employment across regions.

#### 4.4. Direction of Trade and Market Diversification

India's trading partners diversified significantly after 1991. Historically, the United States, the United Kingdom, and the Soviet Union were dominant markets. Post-liberalisation, the share of developed markets such as the US and EU remained high, but the role of East and Southeast Asian partners expanded substantially. Trade with China, for instance, grew rapidly after the 2000s, with China becoming one of India's largest trading partners by the 2010s. Similarly, engagement with ASEAN economies increased following the India–ASEAN Free Trade Agreement in 2010. Middle Eastern economies also became vital, both as suppliers of crude oil and as markets for Indian labour and remittances. This diversification reflects India's integration into regional value chains, particularly in intermediate goods trade. Yet, India's trade remains concentrated in a relatively small number of partners. The United States, European Union, China, and UAE together account for a significant share of both exports and imports, raising concerns about vulnerability to geopolitical shifts.

#### 4.5. Tariff and Non-Tariff Policy Changes

The evolution of trade policy is one of the clearest markers of reform. Pre-1991, India's tariff rates were among the highest in the world, often exceeding 300 percent in certain categories (Bhagwati & Desai, 1970). Liberalisation brought substantial reductions. Peak tariffs fell below 10 percent by the 2000s, and average tariffs declined steadily. Quantitative restrictions were largely eliminated, with tariffs replacing administrative controls as the primary instrument of trade regulation. Singh (2017) notes that this shift enhanced transparency and reduced bureaucratic arbitrariness.

However, India's tariff structure remained somewhat complex, with multiple duties and exemptions. Analysts (PIIE, 2021) point out that India continues to use contingent protection measures; like anti-dumping duties, safeguard actions, more frequently than many peers. Non-

tariff barriers also evolved: while licensing restrictions declined, technical standards, sanitary and phytosanitary (SPS) measures, and customs procedures emerged as regulatory hurdles.

#### 4.6. Export Promotion and Institutional Measures

In addition to tariff reforms, India pursued active export-promotion strategies. Duty drawback schemes, export credit facilities, and incentives for exporters were introduced or expanded. Special Economic Zones (SEZs) became a cornerstone of export promotion, designed to attract foreign investment and encourage export-oriented production. SEZs contributed to growth in sectors such as IT services and manufacturing. However, their performance has been uneven. Critics argue that many SEZs operate as enclaves disconnected from domestic supply chains, limiting their broader developmental impact (Farole, 2011). Institutional support structures, export promotion councils, EXIM Bank, and sector-specific schemes have helped firms access foreign markets. Yet, persistent issues such as cumbersome customs procedures and high logistics costs reduce the effectiveness of these measures.

#### 4.7. Macroeconomic Effects: Trade Balance and Balance of Payments

The liberalisation era witnessed a persistent trade deficit, as imports grew faster than exports in many periods. Rising demand for capital goods, crude oil, and intermediate inputs often outpaced export growth, creating pressures on the trade balance. Nevertheless, the overall balance-of-payments position improved compared to the pre-1991 era. Strong services exports, remittances from overseas workers, and capital inflows helped offset trade deficits. Foreign exchange reserves, which had collapsed during the 1991 crisis, rose to over USD 600 billion by 2023, providing a buffer against external shocks (RBI, 2023). Episodes of external vulnerability, such as the Asian financial crisis of 1997–98, the global financial crisis of 2008–09, and the COVID-19 pandemic, tested India's resilience. While current account deficits widened during some of these episodes, stronger reserves and more flexible exchange-rate policies helped maintain stability.

#### 4.8. Integration into Global Value Chains (GVCs)

Despite notable progress, India's integration into high-value global value chains has been partial. In contrast to East Asia, where economies embedded themselves in electronics, machinery, and automotive networks, India's GVC participation has been limited mainly to textiles, gems and jewellery, and certain electronics. Services integration has been stronger, with Indian IT firms playing key roles in global outsourcing chains. However, in manufacturing, supply-side

bottlenecks, such as inadequate infrastructure, high logistics costs, and regulatory uncertainty, have constrained deeper integration (PIIE, 2021).

This limited GVC participation has important implications. It restricts opportunities for technology transfer, industrial upgrading, and large-scale employment generation. Without deeper GVC integration, India risks remaining dependent on a narrow range of exports rather than achieving the broad-based export dynamism seen in East Asia.

## **5. Critical Analysis**

The trajectory of India's foreign trade since 1991 reflects both the transformative potential of liberalisation and its inherent limitations. The reforms decisively altered India's external orientation, but the outcomes have been uneven across sectors, periods, and policy domains. A critical interpretation of the evidence suggests four broad themes: the success but incompleteness of liberalisation, the unique role of services, structural vulnerabilities in merchandise exports, and the challenges of policy complexity and institutional constraints. The 1991 reforms were successful in dismantling many elements of the protectionist regime. Tariffs were rationalised, import licensing was largely eliminated, and India's trade volumes expanded dramatically. As Panagariya (2004) and Singh (2017) emphasise, the reforms replaced discretionary administrative controls with more transparent tariff instruments, reducing rent-seeking and bureaucratic distortions. By the 2000s, India had become significantly more integrated into global markets than in its pre-reform era.

Yet, liberalisation was not pursued as aggressively or consistently as in East Asia. Countries like China and Vietnam leveraged liberalisation to embed themselves deeply in export-oriented manufacturing, raising their trade-to-GDP ratios above 60 percent. India's ratio, by contrast, plateaued at around 40 percent. This suggests that India's integration was substantial relative to its own past but moderate by global standards. Furthermore, India's liberalisation trajectory was characterised by periodic reversals and cautious policy choices. Protectionist tendencies resurfaced in the 2010s and 2020s, evident in higher tariffs in some sectors, frequent use of anti-dumping measures, and withdrawal from large trade agreements such as the Regional Comprehensive Economic Partnership (RCEP). This stop-start pattern created uncertainty for both domestic producers and foreign investors, limiting the dynamism of India's trade expansion.

Perhaps the most remarkable outcome of liberalisation has been the rise of services exports, especially in IT and IT-enabled services. Unlike East Asian economies that relied on

manufacturing, India capitalised on its comparative advantage in human capital and skilled labour. The services sector contributed not only to foreign exchange earnings but also to macroeconomic stability by cushioning the trade deficit. India's merchandise export composition has diversified, but structural vulnerabilities persist. Engineering goods, pharmaceuticals, and petroleum products have become dominant, yet these sectors are either highly price-sensitive or dependent on global regulatory and demand conditions. For example, petroleum exports fluctuate with oil prices, while pharmaceutical exports depend on compliance with stringent regulatory standards in advanced markets. Another vulnerability is the concentration of trade with a few partners. The United States, European Union, China, and UAE dominate India's export and import baskets. While this reflects strong bilateral ties, it also increases exposure to geopolitical tensions and trade policy shifts. Diversification has occurred, but not enough to insulate India from external shocks.

Although tariffs fell significantly, India's trade policy retained complexity. Multiple duties, exemptions, and frequent use of contingent protection measures have created uncertainty. Analysts such as PIIIE (2021) argue that India's trade regime, while liberalised on paper, often remains unpredictable in practice. Institutional constraints compound these issues. Poor infrastructure, inefficient logistics, and cumbersome customs procedures raise trade transaction costs. The World Bank's *Doing Business* reports frequently highlight India's challenges in "trading across borders," where delays at ports and high compliance costs reduce competitiveness. These constraints limit India's ability to attract global value chain (GVC) investments in sectors such as electronics and automotive components.

A final theme concerns India's balancing act between openness and self-reliance. The liberalisation of 1991 decisively tilted policy toward openness, but recent trends suggest a reassertion of self-reliance narratives, particularly under the *Atmanirbhar Bharat* initiative. The COVID-19 pandemic reinforced concerns about supply chain vulnerabilities and external dependence. While some degree of strategic protection may be justified, excessive inward orientation risks undermining the gains of liberalisation. The challenge for India is to design a trade policy that balances resilience with competitiveness. Strategic sectors such as pharmaceuticals, semiconductors, and renewable energy may require targeted support, but this should be complemented by broader reforms in trade facilitation, tariff simplification, and global value chain participation.

## 6. Policy Implications and Recommendations

The transformation of India's foreign trade since 1991 underscores the effectiveness of liberalisation but also reveals persistent constraints that limit the country's global competitiveness. Drawing from the findings and comparative lessons, several policy implications and recommendations emerge. These span the domains of trade facilitation, manufacturing competitiveness, tariff rationalisation, services sector consolidation, and global trade diplomacy. The high trade transaction costs remain one of the most significant barriers to India's export competitiveness. The World Bank's *Doing Business* reports and WTO Trade Facilitation indicators consistently highlight issues such as delays at ports, cumbersome customs clearance, and high logistics costs relative to peers.

### Major Recommendations:

- **Modernise customs procedures:** Digitisation of documentation, wider adoption of electronic data interchange (EDI), and risk-based inspections should be scaled up to reduce delays.
- **Improve infrastructure:** Investment in ports, dedicated freight corridors, and cold-chain logistics is essential. Public-private partnerships (PPPs) can play a crucial role in bridging infrastructure gaps.
- **Lower logistics costs:** With logistics accounting for nearly 13–14 percent of GDP (compared to 8–9 percent in advanced economies), India must reduce costs through multimodal transport integration, streamlined warehousing, and better last-mile connectivity.
- **Industrial clusters and supplier networks:** Establish and strengthen sector-specific clusters in electronics, auto components, and renewable energy. Linking small and medium enterprises (SMEs) to multinational corporations is crucial for value chain integration.
- **Targeted FDI facilitation:** Policies should prioritise attracting global lead firms in high-tech sectors. Simplifying regulatory approvals, ensuring contract enforcement, and offering stable tax regimes can enhance India's attractiveness as a manufacturing hub.
- **Labour market reforms:** Balancing flexibility with worker protections is essential to make labour-intensive industries globally competitive. Policies should promote large-scale formal employment in textiles, garments, and footwear.
- **Simplify tariff schedules:** Move toward fewer tariff slabs with transparent structures. Eliminate anomalies between MFN (most-favoured nation) and trade-weighted duties.

- **Reduce reliance on contingent protection:** Anti-dumping and safeguard measures should be used judiciously, with greater transparency in investigation processes to reassure trading partners.
- **Align with WTO commitments:** India’s credibility as a global trading partner will be strengthened if trade policies are consistent, predictable, and compliant with international standards.
- **Expand beyond IT:** Encourage growth in emerging service areas such as healthcare, education technology, financial services, and creative industries. India’s skilled workforce can be leveraged in multiple domains.
- **Integrate services with manufacturing:** Promote “servicification” of manufacturing, where design, logistics, and after-sales services complement product exports. This can raise value addition and competitiveness.
- **Invest in human capital:** Strengthening higher education, vocational training, and digital skills development will ensure that India remains competitive in both traditional IT services and new service sectors.
- **Link SEZs with domestic supply chains:** Avoid enclave dynamics by ensuring that SEZ-based firms source inputs from domestic SMEs and integrate with local economies.
- **Outcome-oriented incentives:** Shift from broad export subsidies to performance-based schemes that encourage productivity, technology adoption, and environmental sustainability.
- **Support for MSMEs:** Provide targeted capacity-building, easier access to credit, and digital platforms for small exporters to participate in global trade.
- **Selective participation in FTAs:** India should pursue agreements where complementarities exist (e.g., EU–India FTA, trade partnerships with Africa and Latin America) while safeguarding sensitive sectors.
- **Regional value chains:** Closer economic ties with ASEAN, Japan, and South Korea can help India integrate into Asia’s dynamic manufacturing networks.
- **Balance openness and resilience:** Strategic self-reliance under initiatives like *Atmanirbhar Bharat* must be balanced with global integration, ensuring that resilience does not translate into isolation.

- **Green trade strategies:** Incentivise exports in renewable energy, green technologies, and low-carbon manufacturing to align with global sustainability trends.
- **Inclusive trade policies:** Support women-led enterprises, rural producers, and small businesses to integrate into export markets. This will ensure that trade contributes to equitable growth.
- **Social safety nets:** Provide retraining and transition support for workers displaced by import competition, ensuring that openness does not exacerbate inequality.

## 7. Limitations and Directions for Future Research

While this paper provides a comprehensive account of India's foreign trade since liberalisation, it has certain limitations. First, the study relies exclusively on **secondary data and published analyses**. This approach allows for synthesis across multiple sources but does not generate new primary evidence. Firm-level surveys or econometric models would provide more precise insights into the causal effects of specific reforms, such as tariff reductions or Special Economic Zone (SEZ) policies, on export performance. Second, the analysis is conducted at an **aggregate and sectoral level**, which may obscure intra-sectoral variations. For instance, while engineering goods are identified as a major export category, there are significant differences in performance between sub-sectors such as automobiles, machinery, and electrical equipment. Similarly, the broad categorisation of services exports masks the varied dynamics of IT, financial services, and emerging digital platforms. Third, the study primarily focuses on **quantitative expansion and composition** of trade, but does not fully explore distributional impacts. Questions of employment creation, regional disparities, and gender dimensions of trade are critical to assessing inclusiveness but are only indirectly addressed here.

Finally, the paper examines India's integration into global trade mainly through **traditional indicators** (trade-to-GDP ratios, export shares). A more nuanced analysis would employ measures of value-added trade and global value chain (GVC) participation, which capture the embeddedness of exports in multinational supply networks. Future research could:

- Employ **firm-level datasets** to examine how liberalisation affected productivity, wages, and innovation in exporting firms.
- Use **trade in value-added (TiVA)** statistics to assess India's actual integration into global value chains beyond gross export figures.

- Explore the **distributional impacts** of trade reforms on employment, rural–urban divides, and social equity.
- Investigate the **interaction between trade and sustainability**, particularly in the context of green exports and carbon border adjustment mechanisms.

Such studies would enrich understanding of the broader developmental implications of trade liberalisation in India.

## 8. Conclusion

The liberalisation reforms of 1991 fundamentally reshaped India’s foreign trade landscape. From a closed, inward-looking economy dominated by import substitution, India transitioned to a more outward-oriented and globally integrated system. Over the past three decades, trade volumes increased several fold, exports diversified from primary commodities to manufactured goods, and services, especially IT and IT-enabled services, emerged as a defining strength. These changes have enhanced India’s macroeconomic resilience, rebuilt foreign exchange reserves, and positioned the country as a key participant in global commerce. At the same time, persistent trade deficits, concentration of exports in a few markets and products, and limited integration into global value chains underscore the partial and uneven nature of this transformation. The experience reveals both achievements and missed opportunities. On the one hand, liberalisation dismantled protectionist barriers, enabled rapid services growth, and improved competitiveness in select industries such as pharmaceuticals and engineering goods. On the other hand, India did not replicate the large-scale, labour-intensive manufacturing expansion seen in East Asia, limiting employment generation and industrial deepening. Policy complexity, infrastructural bottlenecks, and cautious trade diplomacy have further constrained India’s global competitiveness.

Looking ahead, India’s trade reforms must shift from first-generation liberalisation to second-generation competitiveness. Priorities include reducing logistics costs, simplifying tariff structures, linking manufacturing to global value chains, and balancing services-led growth with industrial upgrading. Strategic trade diplomacy, sustainability considerations, and inclusive trade policies will be critical to ensuring that the benefits of openness are broad-based and future-ready.

In sum, liberalisation transformed India’s foreign trade but did not fully realise its potential. The next phase requires not only openness but also consistency, predictability, and deeper integration into global production networks. By addressing structural constraints and aligning trade policy

with inclusive development goals, India can position itself as a more dynamic and resilient player in the global economy.

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