YANGON UNIVERSITY OF ECONOMICS
MASTER OF PUBLIC ADMINISTRATION PROGRAMME

A STUDY ON IMPACT OF ECONOMIC REFORMS ON EXTERNAL TRADE OF MYANMAR (LESSONS LEARNT FROM INDIAN'S EXPERIENCES)

KYI KHAI OO
EMPA - 33 (15th BATCH)

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A thesis submitted as a partial fulfillment towards the requirements for the degree of Master of Public Administration (MPA)

Supervised by	**Submitted by**
Dr. Cho Cho Thein	Kyi Khai Oo
Professor and Head	Roll No. 33
Department of Economics	EMPA (15th Batch)
Yangon University of Economics	(2016 - 2019)

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This is to certify that this study entitled **"A Study on Impact of Economic Reforms on External Trade of Myanmar (Lessons learnt from Indian's Experiences)"** submitted as a partial fulfillment of the requirements for the degree of Master of Public Administration has been accepted by the Board of Examiners.

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ABSTRACT

The Government of India has introduced a series of economic reforms to liberalize the Indian economy at the beginning of mid-1991. Currently, India has emerged as the fastest growing economy in Asia as well as in global. The objective of this study is to understand the effect of trade liberalization on Indian Foreign trade after implementing economic reforms. This study aims to examine the changes in patterns of foreign trade in India under the successive economic reform measures and intends to describe the lessons from India's experiences. This study used the descriptive method based on secondary data. From the rest, it is obvious that the trade liberalization policies of India played a positive role in influencing economic development.

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LIST OF ABBREVIATIONS

AEC	ASEAN Economic Community
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
CAFTA-DR	Central American-Dominican Republic Free Trade Agreement
DSB	Dispute settlement body
FIIs	Foreign Institutional Investors
FILA	Foreign investment Implementation Authority
FIPB	Foreign investment promotion board
FTP	Foreign Trade Policy
GATT	General Agreement on Tariffs and Trade
GSP	Generalized Systems of Preferences
GSTP	Global System of Trade Preference among Developing Countries
IMF	International Monetary Fund
MEIS	Merchandise Exports from India Scheme
MFA	Multifibre Arrangement
MRTP	Monopolies and Restrictive Trade practices
NAFTA	North American Free Trade Agreement
NGMA	Negotiating Group on Market Access
NICs	Newly Industrialized Countries
NSE	National Stock Exchange
RCEP	Regional Comprehensive Economic Partnership
SEIS	Services Exports from India Scheme
TRIMs	Trade related Investment Measures
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

Chapter (I)

Introduction

1.1. Rationale of the Study

Foreign trade is an essential driver for economic prosperity of a country as well as an engine of growth for developing and developed countries. Theoretically, trade liberalization results in productivity gains through increased competition, efficiency, innovation and acquisition of new technology. The causes of this situation had been started over the last two or three decades when centrally planned economies like Russia, Eastern Europe, East Germany etc. which failed on economic front because these economies were hesitant in adopting the process of economic reforms. On the other hand, those developing countries like Korea, Taiwan, Hong Kong, Singapore etc. that adopted the process of economic reforms achieved new heights of economic success. These success stories of economic reforms inspired India to adopt series of economic reforms under the new globalized framework. (Sultan, 2010, p.118)

In this content, India also likes other least developed countries, initiated the liberalization of its economy by various economic reforms. The liberalization of India's economy began in the 1980s and then accelerated in the early 1990s. A balance of payment crisis forced the government to lend from the International Monetary Fund and the World Bank. The international financial institutions forced it to introduce reforms. In 1991, the major program of economic reforms were introduced which emphasize on external sector wherein the protective tariffs were decreased, changes into foreign investment and the restrictive import licensing system was relaxed and simplified.

India's foreign trade was changed significantly into the post reform periods. India's major exports involve machinery items, chemicals, precious and semi-precious stones and electronic goods. On the other hand, side major imports were involved fertilizers, gold, petroleum and petroleum products. After the new economic reforms, India's foreign trade has undergone substantial changes, volume of trade rose up. (Pooja Yadav, 2018, p.95)

During the year 2018, Indian economy slipped to the seventh place in the global GDP rankings. According to the latest data compiled by the World Bank, 2017, India was the fifth-largest economy in the world with a Gross Domestic Product (GDP) of $2.7 trillion in 2018. For India, the benefits of trade liberalization have been to foster its competitive position in some of the sectors with medium and higher technological content, as well as in sectors that have been enjoying a rapid expansion of world demand. Therefore, it is hoped that many developing countries can take lessons from India experience in order to accelerate a sustained economic growth along with economic reform and external trade liberalization.

1.2. Objectives of the Study

This thesis aims to study the changes in patterns of trade in India under the successive economic reform measures and intends to describe the lessons learnt from the experience of India for Myanmar by comparative study.

1.3. Scope and Limitations of the Study

The study focuses only on the changes in trade pattern of India and trade policy in different phases between 1991 and 2015.

1.4. Method of Study

This study used descriptive method based on the secondary data and information collected from secondary sources: Books, Journals and Periodicals Papers and on Websites, etc.

1.5 Organization of the Study

The study is organized by six chapters. Chapter (1) is introduction in which rationale of the study, its objectives, its scope and limitations and method of study will be mentioned. Chapter (2) presents about literature review relates to the topic. Chapter (3) is an overview of Indian macro economy and foreign trade that affects trade patterns in the present of India. Chapter (4) explains about trade pattern changes in Myanmar after economic reforms. Chapter (5) is a comparative study of the foreign trade of India and Myanmar. Finally, Chapter (6) is the conclusion in which findings and suggestions are explored.

Chapter (II)

Literature Review

While trade which is internal to a country is important, world trade too can occupy a pivotal position in the life of a nation as well as in the relations between nations. It is commonly believed that it was the exploration by Western Europeans of the ocean routes around the world and which first caused the rapid growth of overseas trade in general from the later half of the sixteenth century. It is also believed that world trade helps to redress the uneven distribution of resources and to raise welfare to people by effective division of labor as well as use of resources. Besides, it provides a greater freedom of choice to the consumer and also upgrades the living standard. (Cho Cho Thein, 2003, p.1)

The concept of world trade and internal trade may appear to be the same but they are not ultimately the same. In the internal trade of a country there cannot be a great difference between the goods which are produced in different regions within the same country. In world trade however, the set of goods which are produced in distant lands or in countries at very different stages of development, may be quite different from the goods produced in the local economy. In this connection, M. Dobb had stated: “domestic trade did not enrich a nation but merely transferred wealth from one individual to another where as foreign trade made a net addition to a country’s wealth.” (Dobb,1975, p.209).

In classical economic thought, the economists maintained that world trade could make an impressive contribution to a country’s development. Thus, world trade was considered to be not simply a means for achieving productive efficiency; but also for enhancing economic prosperity. The orthodox interpretation as expounded by classical and neoclassical economists is that foreign trade can be a propeller force in development.” (Cho Cho Thein, 2003, p.3)

2.1. Generalization of Economic Reforms in global

The process of trade liberalization and market-oriented economic reform that had started in many developing countries in early 1980s intensified in the 1990s. The reforming countries can be classified into three groups. The first group consists of a

number of countries in East Asia which continued their own dynamic industrial and trade policies initiated in 1960s. The second group includes a large number of countries, mostly in Africa, which have gone through the reform programmes designed and dictated by the international finance institutions. The third group comprises a number of Latin American countries that undertook economic reform since early 1980s, initially under the pressure from international finance institutions (IFIs). The contents and philosophy of their reform programmes were similar to those designed by the IFIs which in turn have been referred to as the "Washington Consensus" since the early 1990s. (Shafaeddin S.M, 2005, p.2)

As reform is always a certain set and sequence of the actions aimed to solve the problems, the creation of economic theory of reforms should be management theory. The theory of reforms is impossible from the point of view of economic theory. However, the general theoretical approach and the description of reforms are possible from the point of view of the management theory and economic policy theories. Actually, the system of reformative actions should provide a combination of various kinds of policy or economic system functioning together with other institutional actions. (Sukharev O.S, 2015, p.9)

Structure reform or economy re-structuring is the policy aimed at fundamental controllable change of basic proportions and institutions of economic system development. And the reform can be both short-term and long-term. Everything depends on the scale of problems and resources available for their solution. On the other hand, the resource factor becomes the defining restriction at planning and realization of reforms. (Sukharev O.S, 2015, p.10)

True reform always has a large scale of controllable (projected) institutional changes which have clear objectives. The reforms are possible within the limits of combination of the management theory, economic policy theory, institutional changes and cliometrics at drawing up the principles and criteria of reforms. If privatization and nationalization do not lead to basic changes of social relations, they cannot be considered a reform. The content of all reforms carried out in the twentieth century in national economies can be grouped according to two big directions regardless of their time period. The first direction is statist reforms the essence of which was based on the concept of strong state. The second direction is liberal-conservative reforms. One of the overall objectives was reduction of state regulation of economy, social programs, granting more

independence to small and medium-size business and provision of economy growth for the account of promotion of entrepreneurial behaviour motives. (Sukharev O.S, 2015, p.11) It is also necessary to understand that reform is a planned and organized system of successive actions aimed at basic change of the system and providing new development possibilities for this system in the long-term period. Hence, any reform has its beginning and end which covers a certain period of time and demands a resource for this time, including financial one. (Sukharev O.S, 2015, p.19)

2.1.1. Process of Economic Reforms

The process of economic reforms, commonly known as stabilization cum structural programme, combines two kinds of policy measures. First kind of measures is macroeconomic adjustment. This involves an immediate change in policies and aims at achieving short-term objectives involving returning to low and stable inflation and sustainable fiscal and balance of payment position. These stabilization measures include:

a) Monetary Policies.
b) Realignment of exchange rate to a near market determined rate.
c) Reduction in budgetary deficits.
d) Deregulation of administered prices.
e) Real wage restraint.

Stabilization is also necessary to overcome a crisis but it assumes a special importance if a structural reform, which is the second kind of policy measures under economic reforms, is fundamental changes in the way the economy operates. It modifies the very structure of the economy towards meeting long-term objectives. It takes into account reordering of priorities and reconsideration of policy instruments. There may be variations across different countries adopting economic adjustment, but by and large the policy package encompasses monetary and budgetary targets and the external sectors. Main policy measures that constitute the parts of structural adjustment programmes are:

a) Industrial Policy Reforms: Restructuring Public Sector Enterprises and Promoting private sector.
b) Financial sector reforms.
c) Liberalization of trade government.
d) Price flexibility.
e) Tax reforms.
f) Administrative reforms.

Despite differences, macroeconomic stabilization and structural adjustment programmes overlap each other. In fact, structural adjustment process cannot go on in an environment of macroeconomic instability. Therefore, the stabilization should precede structural reform. For example, trade reforms like reduction in tariff may reduce revenue, or financial reform that raises the cost of government borrowing, may raise the fiscal deficit of the country.

But there are structural reforms, which help the macroeconomic problems. For instance a shift from import controls to tariffs will raise revenue, and reform of public enterprises can reduce losses and so curtail government expenditure. Macroeconomic adjustment is linked with the problem of structural adjustment at two levels. One, at the beginning, when a healthy macroeconomic environment is needed, and the other the structural adjustment problem is over and changes in key variable is called for. The main purpose of macroeconomic adjustment programme is to reduce the country's need for external finance through improvement in balance of payments, and to keep inflation at a low and manageable level. (Sultan, 2010, p.124)

The improvement in balance of payments can also be brought about through depreciation of currency that cuts the demand for imports and raises exports by making them more competitive in the world market. In a long-term framework, it makes the production for exports and import substitutes, more profitable, thus improving the balance of payments. Structural adjustment programmes are more wide-ranging. The major objectives are to reduce the role of the state in matters relating to the private sector, to open the economy to foreign trade and investment and to allow prices and income to respond freely to market forces.

The rationale behind reducing the role of public sector is that such free and fair market play instill competition, improves efficiency of the industrial sector and encourage an optimal allocation of resources. Last but not the least, opening of the economy to foreign trade and investment improves the performance of the economy in the sense that free access to imports and the discipline of production. Structural adjustments involve relaxation, or removal of restrictions on foreign trade and investment. These all improve the rate of growth of the economy. (Sultan, 2010, p.126)

2.2. Trade Liberalization and Economic Growth

Trade liberalization, nowadays, is considered to be the engine of economic growth. The advocates of free trade suggests that it maximizes the world output, enlarges the consumption capacities, provides access to scarce resources and worldwide markets for products, enhances skill and technical know-how, develops managerial talents, entrepreneurial capacity, fosters healthy competition, increases real income and capital accumulation and checks inefficient monopolies. Globalization combined with trade liberalization encourages exports and imports and also increases incentives for investment and innovation. It also encourages foreign direct investment (FDI) which supplements domestic investment and leads to higher growth of the economy. (Bhalla, 2008).

Dating back to the writings of classical economists (1730–90), Adam Smith (1776) stressed the importance of trade as a vent for surplus production and as a means of widening the market, thereby improving the division of labour and also the level of productivity. David Ricardo, 'on the assumptions of perfect competition and full employment of resources, showed that the countries can realize welfare gains by specializing in the production of those goods that have the lowest opportunity cost and trading the surplus of production over domestic demand, provided that the international rate of exchange between commodities lies between the domestic opportunity cost ratios' (Thirlwall 2000). International trade expands the consumption set by making available foreign goods and, therefore encourages people to increase their work effort at any given wage rate (Acharyya 2013).

As per the neo-classical economists, as international trade raises the real income of trading nations, it allows for higher rate of savings and capital formation. On the other hand, the redistribution effect of trade alters the rate of output growth if people have different marginal propensities to save. 'Generalized trade liberalization in the form of unilateral tariff reductions (or the reduction of non-tariff barriers to trade) improves growth performance. Export growth relaxes the balance of payments constraint on demand by providing foreign exchange to pay for import content of higher level of consumption, investment and government expenditure. Most developing countries are constrained in their growth performance by a shortage of foreign exchange and could therefore grow faster with more exports' (Thirlwall 2000).

After adapting trade liberalization and opening the economy for the world, there has been manifold increase in world trade relative to world output. While world output (or gross domestic product) has expanded fivefold, the volume of world trade has grown 16 times at an average compound rate of just 7 percent per annum (Ogunrinola 2013). In some individual countries, notably in Southeast Asia, the growth of export has exceeded 10 percent per annum. Exports have tended to grow faster in countries having more liberal trade governments, and these countries have evidenced the fastest growth of GDP. (Thirlwall 2000).

Moreover, the liberal trade is associated with stimulus to competition, more investment and faster productivity growth based on scale economies, capital flows, learning by doing, the acquisition of new knowledge, ideas and dissemination of technical knowledge through FDIs and changes in attitudes and institutions. The increase in competition via trade liberalization, brings additional gains by reducing the deadweight losses created by domestic monopolies and oligopolies (Krishna and Mitra 1998).

Greenaway, D., Morgan, W., & Wright, P. (1997) studied 73 countries by analyzing the link between trade liberalization and economic growth. They discovered that trade liberalization significantly impacts economic growth. Their study showed clearly that trade liberalization and market openness has a positive effect on economic growth. With economic growth comes poverty reduction. When markets are liberalized, the economy becomes more organized, and that results in growth. Consequently, poverty rate drops significantly. Standard of livings are enhanced; and in other words, life is good. In the long run, this study revealed that developing countries' market-oriented economy may be able to attract more foreign investment, which is essential to job creation and the overall improvement of the poor's quality of life. The rationality for trade liberalization is that trade openness increases the size of the global economy. With growth come resources that allow wage to increase.

With an increase in wages, governments are getting more money from tax, and that allows governments to do a better job of income redistribution for the poor. It needs to be noted that the process of economic liberalization manifests itself into the adoption and strengthening of market mechanism in emerging economies which thorough optimum allocation of resources leads to efficiency and productivity gains through which the competitiveness of economy increases. But all this, depends on the adoption of right

path of economic reforms. The right structural reforms and strong macroeconomic stability can be pivotal for a country in improving its economic development.

2.3. Brief Reviews on World Trade Development

Retrospectively, the long evolution of trade from primitive barter to the recent complex world networks of commodity exchange has been a vital process and part of world economic development in history. In the beginning trade was in the form of barter system. In barter system, if one country had an absolute advantage over the other country in one line of production and the other country had an absolute advantage over the first country in a second line of production, both countries gained by trading.

In the fourth century B.C. world trade expanded from two centers, from Greece and Rome eastward and from China southward and westward. Chinese merchants reached Malaya, Java, Ceylon and the eastern coast of India by sea and pushed overland across the expanses of Asia to the valleys of the Indus and to Persia, Syria and the Black Sea. Greek and latter Roman, merchants were active on the coasts of the Mediterranean (West). The eastern traders have sought their gain in local trade in the necessities of life such as salt, iron, wine, and cloth etc. (W. S. Woytinsky and E. S.Woytinsky, 1955, p.5)

By the end of the sixteenth century, a pattern of multilateral foreign trade developed. This pattern began to change in the second half of the seventeenth century, which can be considered the beginning of the Industrial Revolution in England. The development of new forms of world trade was accelerated after the steam engine and new textile machines had opened undreamed perspectives to the British textile industry. Growth of the world trade in the nineteenth century was stimulated by technological progress. Mass production on an unprecedented scale began in the United States and Europe, especially in Germany, which was rapidly becoming the leading industrial power in the old world. In the Far East, Japan was emerging as a great power. In Africa and Asia, Great Britain and France built up their colonial possessions into world encircling empires. Under these conditions, a definite pattern of world trade developed in the latter part of the nineteenth century. (W. S. Woytinsky and E. S. Woytinsky, 1955, p.11)

Just before the outbreak of World War I, the structure of world trade differed appreciably from the pattern which had prevailed in the nineteenth century. The mainspring of World exchange of commodities was Britain's demand for foodstuff and

raw materials and its ability to pay for them with coal, machines and fabrics. The network of world trade had been changing since the turn of the century, and some of these changes contributed to world tensions and precipitated armed conflict in 1914. (S.N.Bansal, 1981, p. 9) World War I brought a decrease in Europe's foreign trade and an increase in America's foreign trade. The share of Asia, Africa and Oceania combined in world trade decreased from 24.7 percent in 1937 to 20.4 per cent in 1947. The combined shares of the America, Asia, Africa and Oceania amounted to 41.6 percent in 1913, 47.6 percent in 1929 and 59.5 percent in 1952. (W. S. Woytinsky and E. S. Woytinsky, 1955, p.13)

2.3.1. World Trade in the Pre and Post World War II

After the great depression of 1930's passed off, World War II took place. Countries fought each other in which some got victory and some were defeated. Those who were powerful made their rules to be obeyed by poor countries. After 1945, there was slight improvement in the world situation. The disequilibrium in trade was narrowed, customs duties had been reduced, and customs procedures were simplified. Its goals have included stabilization of exchange rates, support of national currencies, increase in productivity, elimination of obstacles to world trade, limitation of quantitative restrictions on imports, reduction of tariffs, restoration of exports disorganized by the war, promotion of multilateral trade agreements. (W. S. Woytinsky and E. S. Woytinsky, 1955, p.44)

The end of the Second World War marked the beginning of a new era for the world economy. Policymakers increasingly embraced international trade as essential for economic growth, shifting away from the isolationist policies of the inter-war period. Within this new framework of cooperation, international trade grew rapidly and consistently during the 1950s and 1960s. Between 1948 and 1960, the total value of merchandise exports of non-communist countries rose from $53 billion to $112.3 billion, at an average growth rate of more than six percent per year. Growth was even faster in the 1960s, when the average annual rate of export volumes increased to more than eight percent. (Kenwood and Lougheed ,1992, p. 286)

Trade also grew most rapidly among industrialized nations: by 1973, this “intra-trade” between developed countries accounted for more than 54 percent of world trade. (Kenwood and Lougheed ,1992, p.288) The growth of intra-trade paralleled the compositional shift toward manufactured goods. Industrial economies increasingly

engaged in trade of similar final goods and traded components from different stages of production. (Krugman 1995) In the decades after the Second World War, the barriers to trade that were erected during the interwar period were gradually torn down through a series of political agreements. The 1947 General Agreement on Trade and Tariffs (GATT) is the most celebrated of these accords. At the Geneva conference, 23 nations agreed upon 123 negotiations covering 50,000 tradable items. GATT's effectiveness was most evident for the United States, which had reduced its duties by more than 50 percent by the mid-1950s. Irwin (1995, p.5)

Only in the late 1960s, after the Kennedy Round Negotiations (1964-67), did countries begin to substantially reduce tariffs. Thus, the post-war environment of free trade was achieved not instantaneously, but gradually, through continual negotiations. More recently, Obstfeld and Rogoff (2001) suggested an important role for transportation costs and technology in diverse models that explain the behaviour of post-war trade. Transportation technology improvements were closely related to the compositional shift of international trade after World War II.

In 2016, world trade in goods was valued at about $16 trillion, while trade in services accounted for almost $5 trillion. In 2016 the value of world trade has declined both for developed and developing countries. This substantial part of the drop in international trade in the last two years was due to nominal factors, principally the fall in the price of commodities and the overall appreciation of the United States dollar. Weaker demand also played a role, especially in East Asia and in other parts of the developing world. The trade collapse of 2015 affected all geographic regions. (UNCTAD, 2017)

2.4. Patterns of World Trade

Trade patterns, who sell what and what come from where to where, have been firmly established in the literature of international economics. Respective academicians have contributed the ground rules for estimating the flows of trade patterns. The founders of classical trade theories, Adam Smith, David Ricardo and Gotfried Harberlar found out that what will be produced and exchanged to be mutually beneficially. Eli Heckscher and Bertil Ohlin presented the role of factor endowments in world trade. In new trade theories, the theorists postulated that the role of intra-industry trade, economies of scales, knowledge and etc. Although the theory focuses have been shifted along with evolving

with the time, central focus has not been changed yet, still forecasting trade patterns with their theoretical findings. (Bionogen & Wilson, 2012)

Some aspects of the pattern of trade are easy to understand but much of the pattern of trade is subtle. Since countries tend to export goods whose production is intensive in factors with which they are abundantly endowed, it shows that factor endowments what the country will send to others. And again, countries purchase the product which has to use its scarce factor for the country. Besides, external economies potentially give a strong role to historical accident in determining who produces what and may allow established patterns of specialization to persist even when they run counter to comparative advantage (Krugman & Maurice, 2002).

External economies affect the pattern of world trade. Specifically, the nation where a given industry is larger is likely to have lower average costs of production and thus to be the exporter of the commodity. The nation in which an industry is first established or becomes larger may be a purely historical accident. Once, an industry is established or has grown larger in one nation than in another. That's why the pattern of world trade cannot be determined in the presence of significant external economies. (Salvatore, 2014)

World merchandise trade has picked up recently but still remains below recent highs. World merchandise exports amounted to $17 trillion in 2017, higher than the $16 trillion recorded in the previous year, but below the $19 trillion level recorded in 2013 and 2014, though this partly reflects the decline of commodity prices from the pre-2014 highs. Trade measured in volume terms is also showing signs of losing momentum. In 2017, the volume of world merchandise trade grew at 4.6 per cent, up from 1.5 per cent in 2016. (UNCTAD, 2018, p.9)

2.4.1 Status of Changing World Trade Patterns

After Second World War, there have been many shifts in patterns of world trade. At the beginning, pattern of world trade was bi-polar which means that a majority of trade relations was between Europe and North America. To that situation, developing countries depended on these economies to a huge extent. But times passed on and in 1970s that bi-polar system splintered. The analysis on trade patterns shows that there are large trade blocs: firstly, a block which is leaded by United States of America and is

followed by North America and Central America, secondly, the European Union which is included much of its territory and thirdly, a near trade bloc composed of the countries in East and Southeast Asia. Among them, Asian giants which are also termed as Asian drivers are China and India. China is a strong member of East and Southeast Asia trading blocs with high intra-block trade shares and evidence of strong outward orientation. Now, share of East and Southeast Asia in global trade is larger than that of NAFTA. (McDonald, Robinson, & Thertelder, 2008)

Because of notable reduction in barriers to international trade, the inevitable result is rapid growth and structural changes in advanced developing economies over the past four decades (Athukorala, 2011). Asia has become the world's workshop over the last decade; Asia will definitely become the world's fastest growing consumer markets, the enormous increase of income in the middle class affect intra-regional trade of rapid growth markets and global trade as well. (Young & Oxford, 2011).

The "rise of the South" in international trade has been a much-cited feature of hyperglobalization, disrupting the dominant pattern of North–North trade in the previous era of managed globalization, and establishing a landscape in which North–South and South–South trade have assumed greater weight. BRICS have become symbolic of this changing landscape. According to Trade and Development Report, 2016, these economies have managed to narrow the income gaps with richer countries based on the establishment of leading industrial sectors, along with related technological and social capabilities that have promoted upgrading, and, through a series of linkages, diversification into new sectors. On this basis, these tiger economies were able to combine a strong rise in the share of manufacturing output and employment with strong labour productivity growth.

In 2016, Asia alone accounted for about 88 percent of developing country gross exports of manufactures to the world, and for 93 percent of South–South trade in manufactures, while East Asia alone accounted for 72 per cent of both. To a lesser extent, the increase of the South's share in global exports in this century was also the result of increased export revenues of commodity exporters during the 2000s supercycle. In value added terms, developing countries' exports in 2011 were still smaller than those from developed countries: \$6.4 trillion versus \$8.2 trillion. The increase in exports from the remaining sectors of the rest of developing countries was far less significant: amounting

to only $2.7 trillion in 2011, compared to $6.4 trillion worth of exports from China and the first-tier newly industrializing economy along with other developing countries' exports of extractive industries. This may partly reflect price effects during the commodity boom, but the persistence of such effects over many years has strengthened incentives for investment in extractive industries, private and public, resulting in higher volumes. In the long run, this is likely to further entrench dependence on extractive industries, with adverse implications for structural change. (UNCTAD, 2018, p.45)

2.4.2. Trend of Multilateral Trade

As trade is primarily an economic activity and trade policies are formulated largely to increase economic efficiency and productivity. Moreover, the multilateral trading system was conceived more to address mercantilist concerns that affected global governance and to prevent trade and military wars that usually came with mercantilism, rather than sustainable development. The multilateral trading system remains the centerpiece of the global institutional framework underpinning trade, and continues to enjoy legitimacy as global public goods. Multilateral rules and disciplines reduce trade barriers and discrimination, and the non-negotiating functions are fundamental to transparency, predictability and stability of world trade.

The multilateral rules and disciplines are underpinned by the effective enforcement system. The WTO dispute settlement mechanism is a unique world judicial body in that it ensures automaticity in panel proceedings and remedial action in case of non-compliance. This system has been widely used by WTO members, including in solving trade disputes among parties to regional trade agreements, indicating its continued effectiveness and legitimacy. (UNCTAD, 2017)

The multilateral trading system is also headed towards universality consistent with the imperative of promoting "a universal, rules-based, open, non-discriminatory and equitable multilateral trading system" under Sustainable Development Goal 17.10. A major challenge has been to negotiate balanced terms of accession consistent with their development needs, and implementing the commitments in the post-accession phase. The United Nations Conference on Trade and Development (UNCTAD) also assists these countries throughout their accession processes. (WTO, 2016)

2.5. Reviews on Previous Studies

The previous studies on economic reforms and foreign trade policies are numerous both domestically and internationally.

Cho Cho Thein (2003) studied the Trade and Economic Development of Myanmar. In this study, trade which is internal to a country is important; world trade too can occupy a pivotal position in the life of a nation as well as in the relations between nations.

Kyaw Min Han (2007) studied the Impact of FDI and Economic Development (Lessons from India's Experience). This study revealed that Indian government's liberalized economy and global structure of FDI along with technology transfer had an outcome to succeed in dealing with the various domestic and international pressures since 1991s.

Zafar Ahmad Sultan (2010) studied the Economic Reforms and India's Foreign Trade. According to this study, it is learnt that in the less development countries of the world, the need for enlarged exports was always considered as important for rapid economic development.

Kulwinder Singh (2011) studied Economic reforms, WTO and India's Exports: an analysis. This study examined India's export performance during post-reforms and post-WTO period.

Koji KUBO (2012) studied the Trade Policies in Myanmar. This paper studied the overview of the trade policies of Myanmar, and clarifies their possible impacts on incentives for traders.

Minn Maung Oo (2013) studied the Effect of Trade Liberalization on Myanmar Foreign Trade with Selected Asean Countries. In this study, trade liberalization is need to promote economic growth is studied.

Shirin Rais (2013) studied the Economic reforms and its impact on External Sector in India. The study shows that during the past two decades, India has experienced wide ranging reforms in the various sectors of the economy.

Zin Zin Naing (2014) studied the Trade Policy Reform in Myanmar from analytical point of view. In this study, Myanmar initiated a series of gradual and radical changes of economic reforms since 2011 aimed at comprehensive economic development. Liberalization of trade and foreign investment is an integral part of these economic reforms.

Kyaw Kyaw Lynn (2015) studied the relationship between foreign trade and economic growth in Myanmar over the period 1990-2014. This study showed that foreign trade did not generate a significant effect on the economic growth of Myanmar. Rather, import growth was negatively influenced by the economic growth of Myanmar.

Sann Linn Aung (2018) studied the Nexus between Foreign Trade and Economic Growth in Myanmar (2006-2015).This study found out that foreign trade had not significantly affected economic growth till 2013 but it had seemed the effects on economic growth in Myanmar closely two years, 2014 and 2015.

Than Tun Soe (2018) studied the Trade Pattern Changes in Myanmar (1989 - 2016). In this study, it is examined that Myanmar's trade patterns evolution is nearly entirely rely on export pattern changes and generally unchanged import pattern till now.

Chapter (III)

Overview on India’s Macro-Economy and Foreign Trade

In 1991 India embarked on major reforms to liberalize its economy after three decades of socialism and a fourth of creeping liberalization. After two decades of economic reforms, the outcome has been an outstanding economic success as India has gone from being a poor, slow-growing country to the fastest-growing major economy in the world in 2016. (IMF, 2016)

In its first three decades after independence in 1947, the Indian economy averaged just 3.5 percent GDP growth, which was derisively called the "Hindu rate of growth." That was half the rate achieved by the Asian tigers. Indian socialism reached its zenith in the 1970s, when the banks and several major industries were nationalized. GDP growth improved to 5.5 percent in the 1980s because of some very modest liberalization plus a government spending spree. But the spending spree was unsustainable and ended in tears and empty foreign exchange reserves in 1991. (Panagariya, 2010)

P. V. Narasimha Rao became prime minister in 1991. The Soviet Union was collapsing at the time, proving that more socialism could not be the solution for India's ills. The Indian economy took two years to stabilize but then achieved record growth of 7.5 percent in the three years 1994-97. Every successive government that came to power continued down the path of economic liberalization, despite some steps backward. The Asian financial crisis of 1997-99 laid India low, yet it proved far more resilient than other Asian nations.

The Indian economy sputtered in those difficult years, and average GDP growth slowed to 5.7 percent in 1997-2003. India's GDP growth soared, and it reached a peak of over 9 percent per year in the three years 2005-8. (Ninan, 2015) Due to slow economy, the Congress Party-led coalition government was defeated in the 2014 election. The new government of the Bharatiya Janata Party has sought to tackle some of the problems, and growth has picked up to an estimated 7.5 percent in 2015-16. (IMF, 2016)

3.1. India's Planned Economy after Independence Era

Indian economy policy after independence was influenced by the colonial experience. In LDCs like India, the objective of an economic plan is to bring into new forms of productive capital, which will raise the overall productivity of the economy and, thus, raise people's income by providing them adequate employment opportunities. Policy tended towards protectionism, with a strong emphasis on import substitution, industrialization. Self-sufficiency was promoted in order to foster domestic industry and reduce dependence on foreign trade. Brief of Various Five year Plans (1951-2017) are as below:

Table 3.1 Brief of Various Five year Plans (1951-2017)

Plan	Brief
First Plan (1951 - 56) Target Growth : 2.1 % Actual Growth 3.6 %	It was based on Harrod-Domar Model. The plan focused on agriculture, price stability, power and transport.It was a successful plan primarily because of good harvests in the last two years of the plan. Objectives of rehabilitation of refugees, food self-sufficiency & control of prices were more or less achieved.
Second Plan (1956 - 61) Target Growth: 4.5% Actual Growth: 4.3%	Harrod-Domar Growth Model was again used for overall projections and the strategy of resource allocation to broad sectors as agriculture & Industry. The Plan focused on rapid industrialization- heavy & basic industries. Second plan was conceived in an atmosphere of economic stability.
Third Plan (1961 - 66) Target Growth: 5.6% Actual Growth: 2.8%	During this plan, Indian economy has entered a "takeoff stage". Based on the experience of first two plans agriculture was given top priority to support the exports and industry. The Plan was thorough failure in reaching the targets due to unforeseen events - Chinese aggression (1962), Indo-Pak war (1965). Due to conflicts the approach during the later phase was shifted from development to defence & development.
Fourth Plan **(1969 - 74)** **Target Growth: 5.7% Actual Growth: 3.3%**	The Fourth Plan aimed at achieving the growth rate of national income. Main emphasis was on growth rate of agriculture to enable other sectors to move forward .Implementation of Family Planning Programmes were amongst major targets of the Plan. After 1971 Indo-Pak war, it was an important issue along with price situation deteriorating to crisis proportions and the plan was considered as big failure.
Fifth Plan **(1974-79)** **Target Growth: 4.4% Actual Growth: 4.8%**	The final Draft of fifth plan was prepared and launched in the backdrop of economic crisis arising out of run-away inflation fuelled by hike in oil prices and failure of the Government. It proposed to achieve two main objectives: removal of poverty and attainment of self-reliance. Due to high inflation, cost calculations for the Plan proved to be completely wrong and the original public sector outlay had to be revised upwards.

Source: Planning Commission of India, 12th Five Year Plan (2012-2017)

(Table 3.1) Brief of Various Five year Plans (1951-2017) (Contd.)

Sixth Plan (1980 - 85) Target Growth: 5.2% Actual Growth: 5.7%	The sixth plan focused on increase in national income, modernization of technology, ensuring continuous decrease in poverty and unemployment through schemes for transferring skills. Broadly, the sixth plan could be taken as a success.
Seventh Plan (1985 - 90) Target Growth: 5.0% Actual Growth: 6.0%	The plan aimed at accelerating food grain production, increasing employment opportunities & raising productivity with focus on food, work & productivity. The plan was very successful as the economy recorded 6% growth rate against the targeted 5% with the decade of 80's struggling out of the' Hindu Rate of Growth'(the low annual growth rate).
Eight Plan (1992 - 97) Target Growth 5.6 % Actual Growth 6.8%	The eighth plan was postponed by two years because of political uncertainty at the Centre. Rising debt burden, widening budget deficits, recession in industry and inflation were the key issues during the launch of the plan. The plan undertook drastic policy measures to combat the bad economic situation and to undertake an annual average growth of 5.6% through introduction of fiscal & economic reforms including liberalization. Some of the main economic outcomes during eighth plan period were rapid economic growth high growth of agriculture and allied sector, and manufacturing sector, growth in exports and imports, improvement in trade and current account deficit.
Ninth Plan (1997- 2002) Target Growth: 6.5% Actual Growth: 5.4%	The Plan focused on Growth With Social Justice & Equality and aimed to depend predominantly on the private sector. It assigned priority to agriculture & rural development with a view to generate adequate productive employment and eradicate poverty.
Tenth Plan (2002 - 2007) Target Growth 8 % Actual Growth 7.6 %	Tenth Plan had set 'monitorable targets' for few key indicators of development besides 8 % growth target. Its main theme was "faster and more inclusive growth". Governance was considered as factor of development & agriculture was declared as prime moving force of the economy.
Eleventh Plan (2007 - 2012) Target Growth 9 % Actual Growth 8%	Eleventh Plan's main theme was "Faster, More Inclusive and Sustainable Growth". India had emerged as one of the fastest growing economy by the end of the Tenth Plan. The savings and investment rates had increased, industrial sector had responded well to face competition in the global economy and foreign investors were keen to invest in India.
Twelfth Plan (2012-17)Target Growth 8 % Actual Growth 6.7 %	The Twelfth Plan (2012-2017) commenced at a time when the global economy was going through a second financial crisis. The crisis affected all countries including India. The Twelfth Plan therefore emphasizes that the first priority must be to bring the economy back to rapid growth while ensuring that the growth is both inclusive and sustainable.

Source: Planning Commission of India, 12th Five Year Plan (2012-2017)

The government set up the Planning Commission in 1950 and launched the First Five Year Plan in 1951 to embark upon the programme of planned economy development of the country. The first Five Year Plan covered the period 1951-56 followed by the Second Five Year Plan (1956-61) and Third Five Year Plan (1961-66). These efforts produced steady economic growth in the 1950s, but less positive results in the two succeeding decades due to the severe impact of exogenous shock as hostilities with Pakistan and unprecedented drought for two successive years 1965 -1966 and 1966-67 (See table 3.1)

The fourth plan we resumed in 1969 covering 1969-1974. By the early 1970s, the success also of the Green Revolution, an effort to diversify and increase crop yields, brought India to a position of self-sufficiency in food and grain production. A worldwide oil crisis in 1973, coupled with a series of poor harvests, brought about severe inflation. In the late 1970s the government began to reduce state control of the economy. But due to the instability of political situation, successive monsoon failures and the failure of the strategy of self-reliant industrialization to generate resource necessary for investment, India entered a period of severe economic crisis. Thus Indira Gandhi returned to power in the 1980 elections and took the bold initiative of nationalizing the country's largest banks. Even through the internal political situation was turmoil after assassination of Indirectly Gandhi on October 31, 1984, economic growth accelerated to the record levels by large-scale external borrowing.

As a whole, each plan set for itself a target for raising national income and per capita income. The target ranged from 2.1 percent per annum in the First Five Year Plan to 8 percent in the Eleventh Five Year Plan. The average growth rate during the Eighth Plan was better 6.8 percent than the Seventh Plan. This growth rate slipped down to 5.4 per cent in the Ninth Plan against a contemplated growth rate of 6.5 percent. An ambitious target of 8 percent GDP growth rate has been achieved in the Eleventh Five Year Plan. The Twelfth Five Year Plan proposed a target of 8 percent GDP growth for the period 2012-17 but actual growth rate was only 6.7 percent. The actual achievement during the plans has been anywhere between 2.7 per cent and 8 per cent. (Kyaw Min Han, 2007, p.13)

3.2. Indian Economic Reforms after 1990

Trade liberalization enables the country to compete with other countries. The increase in competition directs the resources from less advantageous activity to more advantageous activity. India's post-liberalization growth experiences are highly influenced by its restructured trade pattern. The economic reforms, which began during the year 1991, aimed to replace a centrally controlled, protectionist economic government with a competitive environment. On this basis, an outward-looking policy extended the process of liberalization towards flows of investment, technology and finances. (H. Jain, 2017, p.61)

3.2.1. Initiation of Economic Reforms

After pursuing an inward-looking development strategy with the state assuming an important role for more than four decades, India decided to take a historic step of changing tracks in 1991. It embarked on a comprehensive reform of the economy to widen and deepen its integration with the world economy as part of structural adjustment. After a period of relatively robust economic performance in the 1980s, the Indian economy entered into a period of unprecedented liquidity crisis that threatened the country with bankruptcy during 1990-91. It was caused by combined effect of number of events including the collapse of the Soviet Union that was India's major trading partner and the Gulf War in 1991. (Kyaw Min Han, 2007, p.15)

In 1991, India's new prime minister, Narasimha Rao, made economic reform as soon as the assumption of the power. Under this reforms, many of the most burdensome controls on private enterprise, such as licenses to build or expand factories, were abolished and also welcomed foreign investment, and lowered tariff rates to encourage trade. Additionally, there have been more changes for the foreign investment policies which allowed up to 51 percent equity in a wide range of industries. Due to these measures, the more investments have been shifted with the success of the outsourcing technology. These reforms removed many government regulations on investment, including foreign investment, and eliminated a quota and tariff system that had kept trade at a low level.

The reforms also began a gradual process of deregulating industries and privatizing public enterprises. In 1999 the government made privatization of the public sector the centerpiece of its agenda, permitting private investment in all infrastructure

industries, including power, telecommunications, and civil aviation, as well as in the financial sector. Some industries remain reserved for the public sector, including defense equipment, railways, and nuclear energy. (Kyaw Min Han, 2007, p.16)

Fiscal and Administrative Reforms: India's fiscal policies are vital to its economic history and growth prospects. As a matter of fact, it was a major factor in 1991 BOP crisis. India's fiscal reforms are mainly focused on generating revenue through rationalizing the tax structure and increasing compliance.

The reform tasks include:

- Lowered taxes (individual, cooperate, excise and custom)
- Broadened the tax base
- Removed exemptions and concessions to reduce distortions

Simplified laws and procedures to close loopholes and increase compliance, including using technology to better track tax payments.

Financial Sector Reforms: The financial sector has been experienced many of extensive improvements due to the reforms. In 1993, March, India transformed to market determined exchanged rate (floated) and it also made the devaluation of rupees by nearly 20 percent. The Securities and Exchange Board of India (SEBI) was set up as a regulatory reform of the capital market as well as market modernization. Online trading has been introduced and foreign Institutional Investors (FIIs) are permitted to invest in National Stock Exchange (NSE). The other major implementations in the financial sector to lead to well- functioning capital markets are as follow.

- Liberalized interest rates;
- Removal of cumbersome approval requirement for financial transactions;
- Allowed firms to buy and sell the stock easily
- Reducing reserve requirement for banks, like Cash reserve ratio (CRR and the statutory liquidity ratio (SLR).
- Abolition of government regulation over capital issues.

Trade Policy Reforms: India initiated its major trade policy reforms in 1991. The import licensing has been eliminated and reduced import duties and tariff. Moreover, India has been undertaken a major commitment to liberalize its trade government under WTO Agreement. India also liberalized trade in service and technology industries. Apart

from basic commodities, the import's tax reduction was up to 50%. In 1991, the limitation on imports removed up to 715 categories, 342 for textile industry, 147 for agro-base and beverages and last 226 concerned with automobile and others industrial products.

Industrial Policy reforms: In 1990, industry policy reforms were setup and new similar industrial policy was issued in July 24, 1991. Abolition of industrial licensing and opening up industry to foreign investment was an important part of the economic reforms. According to the new industrial policy (NIP), India called off the licensing system for to invest in any industry except in six industries which are reserved for exclusive development by public-sector, including those considered sensitive from the national security point of view have been allowed private or foreign investment.

The canceling of the Monopolies and Restrictive Trade practices (MRTP) Act has brought much freedom and flexibility and encouraged competition among industries. In line with NIP, there have not only private investment and overseas investment as well. The list of industry was issued for hanging over to the private entrepreneurs and merely six categories have to be handed over for the time being. Telecommunication, transport, postal services, electrical power and crude oil refinery became private due to NIP. (Kyaw Min Han, 2007, p.17)

3.2.2 Trade Sector Reforms

Since 1991, policy has become more outward-oriented with the objective now of achieving stable and sustainable growth, by integrating the Indian economy more closely with the world economy.

Export Sector Reform: The Indian trade reforms were introduced since mid-1991 and also addressed the following objectives in the context of exports.

- To determine the growth in exports.
- To study instability in export earnings.
- To find changes in composition of exports.
- To determine commodity concentration/ diversification in export earnings.
- To analyze changing pattern of exports during the reform period.

When India`s export performance world perspective is compared, it is found that reforms initiated in 1991 have shown some positive results in terms of increase in the

growth rate of India`s merchandise exports and its share in world exports. As a result India`s share in world export has increased during the post liberalization period. Both real GDP and the real effective exchange rate were found to be statistically significant in explaining export performance. (Sultan, 2010 p.195)

Import Sector Reform: Reform efforts have been continual and strong since 1991, with significant changes occurring in 1993. Almost all areas of the economy have been opened to both domestic and foreign private investment, import licensing restrictions on intermediates and capital goods have been mostly eliminated, tariffs have been significantly reduced, and full convertibility of foreign exchange earnings has been established for current account transactions. More specifically, the following import policy reforms have been introduced in India.

(i) Except for a small list of negative items, import licensing has virtually been abolished;

(ii) Quantitative restrictions on imports have been replaced by tariffs; and

(iii) Tariffs have been reduced in stages: the maximum tariff rate was reduced from 400 percent in 1990-91 to 50 percent in 1995, 15 percent for non-agricultural commodities in 2005-06 budgets and the average duty has been reduced from about 47 percent in 1990-91 to 29 percent 1995-96, and further to 21 percent in 2000-01 and 12 percent in 2004-05.

During the reform period, the growth of India's imports has been quite high as compared to growth of pre-reform period, both in rupee terms as well as in dollar terms. The fall in county's exports has affected country's buying capacity and also reduced its demand for imports. Currently, the World Trade Organization estimates that India's applied most favored nation import tariffs are 13.8 percent and highest of any major economy. (Sultan, 2010, p.243)

Tariff Reform: The Weak economic conditions in the 1970s and 1980s and followed by an economic crisis in 1991, prompted India to begin gradually opening its economy to foreign goods and services. The 1991–93 Tax Reform Committee, with respect to tariffs, viewed that, "the very high or high rates applicable to most commodities, the multiplicity of statutory rates, the wide spread of rates and the continued issue of a large number of exemption or concessional rate notifications not only made the administration of the system extremely complicated, but led to unintended and undesirable effects on the allocation of resources in the economy. Therefore, the import tariff system should be drastically simplified, the levels and spread of the rates of duty must be reduced

significantly and as early as possible with the re-structuring of the duties, most of the notifications must be eliminated. (Chelliah Committee Final Report, 1993)

Since then, nearly three decades of cautious economic reform have resulted in the Indian Government steadily reducing tariffs and becoming more integrated into the global economy. India's average applied tariff in 2016 was about one tenth of what it was in 1990–91 (125 per cent in 1990–91; 13.4 per cent in 2016). (UNCTAD, World Tariff Profiles, 2017)

3.3. Foreign Trade Policies of India

India was a latecomer to economic reforms, embarking on the process in earnest only in 1991, in the wake of an exceptionally severe balance of payments crisis. Therefore, the External Trade Policy was introduced by the Government to grow the Indian export of goods and services, and increasing value addition in the country. The Government implemented the new trade policy to seek the development in foreign trade sectors. In 1992, a new trade policy (1992-1997) was announced by the Government of India .This policy is based on the assumptions of liberalization.

Export- Import Policy (1997-2002): The policy of 1997-2002 has brought a new concept in the trade policies of Indian and provides Indian economy a gateway to liberalization and modernization by which the Indian economy is able to integrate with the different and developed economies of the world. The policy contains a number of significant features. The most controversial value based license scheme has been abolished and 542 items have been transferred from the restricted list to special import license (SIL) and freely importable list.

Export- Import Policy (2002-2007): The EXIM policy for the year period (2002-07) was announced on March 31, 2002. The main thrust of the policy was to push India’s exports aggressively by undertaking several measures aimed at augmenting exports of farm goods, the small scale sector, textile, gems and jewellery, electronic hardware etc.

Foreign Trade Policy (2004-2009): When the new government at the center was changed, the name of EXIM Policy was also changed and called it Foreign Trade Policy (FTP). Consequently, on August 31, 2004, the five year (2004-09) was announced which aimed doubling Indias’s percentage share in global merchandise trade from 0.7 % in

2003. During 2003-04, India's merchandise exports were valued at $ 61.8 billion accounting for about 0.7% of world's exports. Besides this, the service sector was also expected to increase its share in export of invisible to over $ 100 billion. Together, the two sectors were expected to reach the target of $ 300 billion by 2009.

Foreign Trade Policy (2009-14): The foreign trade policy (2009-14) announced on August 28, 2009 was an integrated policy for the period (2009-14). The Objectives of foreign Trade Policy (2009-14) is to double India's exports of goods and services by 2014 and to encourage exports through a mix of measures including fiscal incentives, institutional changes, procedural rationalization and efforts for enhance market access across the world and diversification of export. The policy aimed at developing export, improving export performance, boosting foreign trade and earning valuable foreign exchange.

Foreign Trade Policy (2015-2020): A new Foreign Trade Policy (FTP) 2015-20 was launched on 1st April 2015. The policy rationalized the earlier export promotion schemes and introduced two new schemes, namely Merchandise Exports from India Scheme (MEIS) for improving export of goods and Services Exports from India Scheme (SEIS) for increasing exports of services. The Policy aims to enable India to respond to the challenges of the external environment, keeping in step with a rapidly evolving world trading architecture and make trade a major contributor to the country's economic growth and development.

Under this policy, numbers of steps have been taken for encouraging manufacturing and exports. The steps include a fast track clearance facility for these units, permitting them to share infrastructure facilities, permitting inter unit transfer of goods and services, permitting them to set up warehouses near the port of export and to use duty free equipment for training purposes. Trade facilitation and enhancing the ease of doing business are the other major focus areas in this new FTP.

3.4. Foreign Trade Performance of India

Trade performance of a country can be measured from various perspectives – imports, exports and trade balance, etc. and its growth over the years.

Major Export Destinations: The top ten destination countries for Indian Export remained more or less same during the last three years except for some minor change in relative position here and there. These ten countries together had a share of more than 50% of total export. The UAE and the USA have been the top two export destinations for the last three years or so with about 12 % share in total Indian export in 2012-13. In terms of value, India's export to each of these two countries was about to touch Rs. 2 lakh crores during 2012-13. Singapore marginally exceeded China in terms of value of Export to bag the third position, though both the countries had a share of around 4.5% each in India's total Export. The other major export destinations include Hong Kong (4.1%), Netherlands (3.5%), Saudi Arabia (3.3%), UK (2.9%), Germany (2.4%) and Japan (2%). Some other important Export destinations in recent years were Belgium, Indonesia and France etc.

Table 3.2 India's Export to Top 10 Major Countries in recent years

Country	Value of Exports (Rs. Crores)			Percentage Share in Total Export		
	2010-11	**2011-12**	**2012-13**	**2010-11**	**2011-12**	**2012-13**
UAE	153866	172268	197832	13.5	11.8	12.1
USA	115212	166474	196771	10.1	11.4	12.0
Singapore	44732	80363	73995	3.9	5.5	4.5
China	64487	87669	73773	5.7	6.0	4.5
Hong Kong	47038	61877	66898	4.1	4.2	4.1
Netherlands	34967	43914	57380	3.1	3.0	3.5
Saudi Arabia	21296	27208	53245	1.9	1.9	3.3
UK	33296	41324	47078	2.9	2.8	2.9
Germany	30733	37982	39447	2.7	2.6	2.4
Japan	23183	30520	33221	2.0	2.1	2.0
Top10 Destinations	568812	749600	839641	50.0	51.1	51.4
All Countries	1136964	1465959	1634319	100.0	100.0	100.0

Source: Ministry of Commerce and Industry, Directorate General of Commercial Intelligence and Statistics

From the above, it is also evident that both Singapore & China actually had a fall in the value of Exports in 2012-13 as compared to the previous year, after experiencing sharp increases especially in 2011-12. On the other hand, India's export to Saudi Arabia has almost doubled in 2012-13.

Major Item Group-wise Export Values: Total Export Value remained more or less same during the last few years and together they contribute about 75% of the Total Export. But there have been some minor changes in their relative positions here and

there. Engineering Goods, which was in the topmost position till last year lost its position to Petroleum Products which contributed more than 20% of Total Indian Export in 2012-13. However, Engineering Goods was in close second position with 19% share. The next most important Export Item Group was Gems & Jewellery (14.5%). Two groups, Drugs, Pharmacutes & Fine Chemicals and Other Basic Chemicals improved their export performance steadily to contribute 4.9% and 3.9% respectively in 2012-13.

Table 3.3 Share of Top Ten Item Groups in India's Export

Major Item Groups	Export Value(Rs. Crores)			a% of Total Export Value		
	2010-11	2011-12	2012-13	2010-11	2011-12	2012-13
Petroleum Products	188779	267915	330790	16.7	18.3	20.3
Engineering Goods	220848	279702	308948	19.5	19.1	19.0
Gems & Jewellery	184420	214889	236162	16.3	14.7	14.5
Drug, Phrmcutes & Fine Chemls	48810	63554	79823	4.3	4.3	4.9
RMG of all Textiles	52861	65613	70343	4.7	4.5	4.3
Other Basic Chemicals	39148	54045	63250	3.5	3.7	3.9
Electronic Goods	37378	42419	43845	3.3	2.9	2.7
Cotton Yarn/Fabs./made-ups, Handloom Products etc.	27936	35237	43759	2.5	2.4	2.7
Rice	11586	24109	33858	1.0	1.6	2.1
Plastic & Linoleum	21297	29912	33730	1.9	2.0	2.1
Total of Top Ten Item Groups	833062	1077395	1244509	73	74	76

Source: Ministry of Commerce and Industry, Directorate General of Commercial Intelligence and Statistics

On the other hand the shares of RMG of all Textiles and Electronic Goods fell down over years gradually to 4.3% and 2.7%. Some other important Item Groups in our Export basket were Cotton Yarn/ Fabrics/Made-ups/Handloom Products (2.7%), Rice (2.1%) and Plastics & Linoleum (2.1%) etc.

India's Import Performance: India's imports from top twenty countries, based on 2012-13 figures and covering about 77% value share of imports, during last three years (from 2010-2011 to 2012-13) are presented in Table 3.4.

Table 3.4 Percentage shares of Top 20 Major Importer Countries (based on 2012-13 import values) to the total imports (Value Rs. Crores)

COUNTRY	2012-13	% of total import	2011-12	% of total import	2010-11	% of total import
China	284385	10.65	262592	11.20	198079	11.77
UAE	212923	7.98	175730	7.49	149123	8.86
Saudi Arabia	184685	6.92	154423	6.58	92855	5.52
Switzerland	174512	6.54	168569	7.19	112740	6.70
USA	137239	5.14	112026	4.78	91359	5.43
Iraq	104596	3.92	90536	3.86	40977	2.43
Kuwait	90184	3.38	78975	3.37	46976	2.79
Qatar	85458	3.20	61913	2.64	31036	1.84
Indonesia	80966	3.03	70756	3.02	45136	2.68
Germany	77934	2.92	74362	3.17	54136	3.22
Venezuela	76835	2.88	32129	1.37	23748	1.41
Korea RP	71337	2.67	61488	2.62	47712	2.83
Australia	71217	2.67	75555	3.22	49188	2.92
Japan	67547	2.53	57516	2.45	39309	2.34
Nigeria	65622	2.46	70092	2.99	49005	2.91
Iran	63026	2.36	66241	2.82	49725	2.95
Belgium	54537	2.04	49633	2.12	39179	2.33
Malaysia	54199	2.03	45383	1.93	29746	1.77
South Africa	48320	1.81	53691	2.29	32525	1.93
Hong Kong	43030	1.61	49604	2.11	42825	2.54
Major Countries Total	2048550	76.75	1811215	77.22	1265379	75.17
All Countries Total	2669162	100.00	2345463	100.00	1683467	100.00

Source: GOI, Ministry of Commerce and Industry, Directorate General of Commercial Intelligence and Statistics www.dgciskol.gov.in

The table also indicates the percentage shares of these countries. It can be seen from the table that for the last three years, India's imports from the People's Republic of China remained consistently on top with the percentage shares of imports between 11 – 12 % during these years. The next best importing country is UAE whose shares were between 7 – 9 % during these years. This indicates the importance of Chinese goods in Indian markets.The next four major importing countries during 2012-13 were UAE, Saudi Arabia, Switzerland and USA with the respective share of imports of 7.98%, 6.92%, 6.54% and 5.14%. China, UAE, Saudi Arab, Switzerland and USA remain at the top five countries for the last three years with combined import shares of 38%, 37% and 37% respectively. (www.dgciskol.gov.in)

Annual growth of Import of Top 20 Major Importer Countries: The growth in India's Imports had come down, although still substantial, to 13.8% in 2012-13. The contributions to this substantial growth in India's Imports were from 15 of the top 20 major countries of which all have registered double digit growths except for China PRP, Switzerland, Germany and Belgium.

Table 3.5 Annual growth of Import of Top 20 Major Importer Countries (Based on 2012-13 import value) (Value Rs. Crores)

COUNTRY	2010-11	% growth	2011-12	% growth	2012-13	% growth
China	198079	35.63	262592	32.57	284385	7.33
UAE	149123	62.45	175730	17.84	212923	21.24
Saudi Arabia	92855	15.11	154423	66.31	184685	20.62
Switzerland	112740	62.84	168569	49.52	174512	4.91
USA	91359	13.37	112026	22.62	137239	22.49
Iraq	40977	23.16	90536	120.94	104596	15.54
Kuwait	46976	20.49	78975	68.12	90184	13.51
Qatar	31036	41.01	61913	99.49	85458	38.14
Indonesia	45136	10.06	70756	56.76	80966	14.99
Germany	54136	10.74	74362	37.36	77934	4.64
Venezuela	23748	75.82	32129	35.29	76835	139.14
Korea RP	47712	17.66	61488	28.87	71337	16.01
Australia	49188	-16.15	75555	53.61	71217	-4.55
Japan	39309	23.25	57516	46.32	67547	17.42
Nigeria	49005	42.55	70092	43.03	65622	-6.39
Iran	49725	-8.99	66241	33.22	63026	-5.30
Belgium	39179	37.63	49633	26.68	54537	9.66
Malaysia	29746	21.44	45383	52.57	54199	19.50
South Africa	32525	20.91	53691	65.08	48320	-7.87
Hong Kong	42825	91.90	49604	15.83	43030	-13.10
Maj. Countries Total	1265379	28.04	1811215	43.14	2048550	13.29
All Countries Total	1683467	23.45	2345463	39.32	2669162	13.80

Source: GOI, Ministry of Commerce and Industry, Directorate General of Commercial Intelligence and Statistics www.dgciskol.gov.in

The negative growths were recorded by only 5 countries of the top 20. These were Australia (4.55%), Nigeria (6.39%), Iran (5.3%), South Africa (7.87%) and Hong Kong (13.1%). As stated above, Venezuela which was not among the top 20 importing countries till last year (2011-12), has not only placed itself among major importing countries but also has occupied 11th position with a share of 2.88% and with 76835 Rs.

The impact of Venezuela as a major importing country to India was such that the next best annual growth registered by Qatar was 38.14% with a share of 3.22% and occupying 9th position in the share of total import value. Other major countries with impressive annual growth are USA (22.5%), UAE (21.2%), Saudi Arabia (20.6%), Malaysia (19.5%), Japan (17.4%), Korea RP (16.0%), Iraq (15.5%), Indonesia (15.0%), etc. Significantly, Hong Kong has performed highest negative annual growth of 13.1% in 2012-13 and put itself in the last position now, although, it was in the 13th position with highest annual growth of 91.9% and a share of 2.54% in 2010-11.

In absolute terms, imports from China has exceeded Rs. one lakh crores since 2007-08 and it is nearing three lakhs crores now (Rs. 284385 crores in 2012-13) with 7.33% annual growth over 2011-12 (Table 3.4.4) and about 160% over five years. Out of top 20 Major countries given in the table, top 6 has import value more than Rs. One lakh crores. These countries were China, UAE, Saudi Arab, Switzerland, USA and Iraq. UAE along with China has crossed even Rs. Two lakhs crores of imports during 2012-13. The annual growths of these countries were also very significant as UAE, Saudi Arabia, USA and Iraq have registered growths of 20.62%, 22.49% and 15.54% respectively.

Major Import: India's import by principal commodity groups with their shares and annual growths respectively during 2010-2011 to 2012-13. It is a blunt truth that India's Imports mainly focused on petroleum, gold and silver, machineries and electronic goods. Of these four groups, petroleum accounts for about one third of the total imports, gold and silver accounts for about 10% of the total imports and machineries and electronics goods account for about 6% each. Thus these four groups together make more than 55% of the imports. It is the imports of 'Petroleum Crude & Products' and the increasing price of petroleum products globally that has changed the scenario of the imports and has put countries such as UAE, Saudi Arabia, etc. into the top five countries and other countries like Iran, Indonesia, Iraq, Kuwait, etc. into the top 20 countries over the last three years and even Venezuala in the list during 2012-13.

Table 3.6 Percentage share of imports by principal Commodities to the total imports (Value in Rs. Crores)

Commodities	2010-11	% share	2011-12	% share	2012-13	% share
Cotton Raw & Waste	624	0.04	1059	0.05	2467	0.09
Vegetable Oil (Fixed)	29860	1.77	46255	1.97	61107	2.29
Pulses	7008	0.42	8931	0.38	12734	0.48
Pulp and Waste paper	5208	0.31	6524	0.28	6991	0.26
Textile yarn Fabric, made-up articles	13759	0.82	17279	0.74	19953	0.75
Fertilisers, Crude & manufactures	31533	1.87	53311	2.27	47722	1.79
Sulphur & Unroasted Iron Pyrts	1099	0.07	2286	0.10	1739	0.07
Metaliferrous ores & metal scrap	44217	2.63	64123	2.73	81531	3.05
Coal, Coke & Briquettes, etc.	44670	2.65	83596	3.56	92538	3.47
Petroleum, Crude & products	482282	28.65	743075	31.68	891871	33.41
Wood & Wood products	7396	0.44	11857	0.51	14200	0.53
Organic & Inorganic Chemicals	69350	4.12	90296	3.85	105141	3.94
Dyeing/tanning/colouring mtrls.	5368	0.32	7003	0.30	7894	0.30
Artificial resins, plastic materials, etc.	31304	1.86	36134	1.54	47013	1.76
Chemical material & products	13278	0.79	16595	0.71	19754	0.74
Newsprint	3741	0.22	4938	0.21	4375	0.16
Pearls, precious & Semi-precious stones	157596	9.36	134266	5.72	123043	4.61
Iron & Steel	47275	2.81	57552	2.45	59582	2.23
Non-ferrous metals	18590	1.10	23428	1.00	27784	1.04
Machine tools	10275	0.61	14311	0.61	14927	0.56
Machinery, electrical & non-electrical	126162	7.49	167198	7.13	174406	6.53
Transport equipment	52112	3.10	67474	2.88	93722	3.51
Project goods	27996	1.66	42221	1.80	35659	1.34
Professional instrument, Optical goods, etc.	19200	1.14	25146	1.07	29120	1.09

Source: GOI, Ministry of Commerce and Industry, Directorate General of Commercial Intelligence and Statistics, (www.dgciskol.gov.in)

After ‘Petroleum, Crude & Products’, the next most important item group is ‘Gold and silver’. It has a share of 11.35% to the total imports in 2012-13 against 12.55% in 2011-12, which means that there was a fall of ‘Gold and silver’ imports over last year. In 2012-13, the ‘Gold and silver’ imports crossed Rs. three lakhs crores (3.03 lakhs crores) with annual growth of about 3%. However, for the last two years, ‘Machinery, electrical and non-electrical machinery’ and ‘Electronic Goods’ have occupied third and fourth positions pushing ‘Pearls, precious and semi-precious stones’ to fifth position in terms of share and values of imports are concerned. While the ‘Machinery, electrical and non-electrical machinery’ has a share of 6.53%, the ‘Electronic Goods’ has a share of 6.41% during 2012-13, in 2011-12, their respective shares were 7.13% and 6.67%. In terms of annual growths, both these groups have fallen in 2012-13. While ‘Machinery, electrical and non-electrical machinery’ had annual growth of 4.31%, the same for the ‘Electronic Goods’ was 9.25%.

In value terms, both were close with ‘Machinery, electrical and non-electrical machinery’ had imports of more than 1.74 lakhs crores and ‘Electronic Goods’ had 1.71 lakhs crores. It can also be seen from (Table 3.6) that there is a steady decrease of shares of imports of ‘Machinery, electrical and non-electrical machinery’ as well as ‘Electronic Goods’ items over the last five years from 2010-11 to 2012-13. As the growth of Gold & silver’ imports declined, the imports of ‘Pearls, precious & semi-precious stones’ has also fallen. Besides these five major commodity groups with larger shares of imports, the commodity groups that had significant shares of imports in 2012-13 were ‘Organic & Inorganic Chemicals’ (3.94%), ‘Transport Equipment’ (3.51%), ‘Coal, Coke & Briquettes, etc.’ (3.47%), ‘Metaliferrous ores & metal scrap’ (3.05%), ‘Vegetable Oil (Fixed)’ (2.29%), ‘Iron & Steel’ (2.23%), etc. Due to increase of petroleum prices globally, the value of import of petroleum products has increased. As a result, the import scenario in terms of percentage shares of item groups, sources countries, major port formation, etc. has changed. (www.dgciskol.gov.in)

The Foreign Trade Policy (2015-20), which is issued every five years, aims to make India a significant participant in international trade and to raise its share of global exports to 3.5% in 2020. This was expected to be achieved by providing a sustainable and stable policy environment for foreign merchandise and services trade; linking rules, procedures and incentives for trade with other recent initiatives such as "make in India", "digital India" and "skills India"; promoting the diversification of India's exports by

assisting key sectors to become more competitive; and creating an architecture for India's engagement with key regions of the world. WTO (2015)

3.5. Foreign Trade and Economic Growth in Post Reform Period

During the time of independence, India’s foreign trade was typically a colonial and agricultural economy and our trade relationship were mainly limited to U.K. During the period 1950 -1990, India’s foreign trade suffered from strict administrative controls. In 1991, the Indian Government introduced the economic reforms policy of the liberalization and globalization of Indian economy.

After the establishment of economic reforms, India’s foreign trade has started increasing. The trade policy of India has undergone various changes time to time and the major changes involved simplification of processes and techniques and reduction in the tariff rates. On the other side, after the liberalization and globalization the foreign trade has been playing a very important role in increasing the GDP level of India. The foreign trade acts as an engine of growth of India’s trade in terms of increase in Export and Import. (Pooja Yadav, 2018, p.98)

India’s Exports in Post-Reforms period: During post reforms era, Indian exports have shown remarkable improvement principally from the period 1992-93 to 1996-97 and from 2002-03 to 2008-09. Exports registered 1.8 times and 3.5 times rises in the year 1992-93 to 1996-97 and 2002-03 to 2008-09 respectively. In 2009-10, the exports was declined with the slight variation and recorded at 178751 million US dollars. After that the Indian exports have moved up and touch a new height of 305964 million US dollars in 2011-12. It was also a highest India’s exports during the period under study. In 2016-17, the exports was declined and recorded at 260,326 million US dollars.

Lastly, in 2012-13 exports value has decreased and stood at 300401 million US dollars. Table-3.5 also shows the Annual Growth rate of India’s exports during post-reforms period. Regarding annual growth rate of exports, it was high in 1993-94 and 1994-95 at 19.97 % and 18.40 % respectively, but declined sharply in 1996-97 to 5.26 %, and continuously till 1998-99 on account of the South East Asian crisis and worldwide recession. It again recovered to 10.53 % and 20.05 % in 1999-00 and 2000-01 respectively.

Table 3.7 India's Foreign Trade after Reforms Period from FY 1992 to FY 2016 (Values in USD Million)

Year	Export	Annual Growth Rate (%)	Import	Annual Growth Rate (%)	Total Trade	Annual Growth Rate (%)
1992-93	18537	-	21882	-	40419	-
1993-94	22238	19.97	23306	6.51	45544	12.68
1994-95	26330	18.40	28654	22.95	54984	20.73
1995-96	31797	20.76	36678	28.00	68475	24.54
1996-97	33470	5.26	39133	6.69	72603	6.03
1997-98	35006	4.59	41484	6.01	76490	5.35
1998-99	33218	-5.11	42389	2.18	75607	-1.15
1999-00	36715	10.53	49738	17.34	86453	14.35
2000-01	44076	20.05	49975	0.48	94051	8.79
2001-02	43827	-0.56	51413	2.88	95240	1.26
2002-03	52719	20.29	61412	19.45	114131	19.84
2003-04	63843	21.10	78149	27.25	141992	24.41
2004-05	83536	30.85	111517	42.70	195053	37.37
2005-06	103091	23.41	149166	33.76	252257	29.33
2006-07	126414	22.62	185735	24.52	312149	23.74
2007-08	163132	29.05	251654	35.49	414786	32.88
2008-09	185295	13.59	303696	20.68	488991	17.89
2009-10	178751	-3.53	288373	-5.05	467124	-4.47
2010-11	251136	40.49	369769	28.23	620905	32.92
2011-12	305964	21.83	489319	32.33	795283	28.08
2012-13	300401	-1.82	490737	0.29	791138	-0.52
2013-14	336,611	10.8	466,045	-5.3	802656	1.4
2014-15	317,544	-6.0	459,369	-1.5	776913	-3.3
2015-16	264,381	-20.1	390,744	-17.6	655125	-18.6
2016-17	260,326	-1.6	356,704	-9.5	617030	-6.2

Source: DGCI & S, Kolkata & Economic Survey

However, the global economic slowdown and the events of September 11, 2001 led to a steep fall in the growth rate of exports during 2001-02 (-0.56 %). The period since 2002-03 has recorded a steady export growth rate up to 2008-09 (13.59 %). The export growth rate declined to - 3.53 % in 2009-10 in view of the global meltdown. But in 2010-11,

exports made a huge jump and thus the growth rate of exports recorded at 40.49 % which was also the highest annual growth rate during the post-reforms period under study. The growth rate values also registered in negative terms during the post-reforms period, such as -5.11 % in 1998-99, -0.56 % in 2001-02, -3.53 % in 2009-10, -1.82 % in 2012-13 and -1.6 % in 2016-17. The Annual growth rate of exports is fluctuating in both the periods because of many reasons. The table clearly shows that exports have increased during post reforms period although the impact of economic reforms on exports is not very significant but still it is positive. Therefore, it is revealed that India's exports moved up with varying rates during the study period. (Pooja Yadav, 2018, p.104)

India's Imports in Post-Reforms Period: There has been a sharp increase in the import during post-reforms period. This development is the result of repeated devaluation of Indian rupee and increasing import intensity of both production and consumption during the post-reforms period. The process of structural reforms has further increased Indian imports. During the period 1990-91 to 2009-10, total imports shows the enormous growth nearly 12 times from 24075 million US dollars to 288373 million US dollars. Between 1990-91 and 1999-00, imports recorded a growth of 2 times and during 2000-01 to 2009-10 imports were recorded 5.6 times.

Between 2000-01 and 2004-05 imports were registered 2.2 time growth and in the year from 2005-06 to 2009-10, imports fallen down and attained a growth of 1.9 times. The highest total India's imports were registered at 490737 million US dollars in 2012-13 during the period under study. Table 3.7 also shows the annual growth rate of India's imports during pre and post-reforms period. Regarding the annual growth rate of imports, it was 6.51 % in 1993-94. The growth rate was high in the 1995-96 (28 %) and then it declined steeply. The growth rate of imports was very low in 2000-01 (0.48 %). It regained in 2002-03, and has grown steadily thereafter and touched 42.70 % in 2004-05 which was also the highest annual growth rate during the post-reforms period under study and then declined up to 20.68 % in 2008-09.

The global slowdown during 2008 had its impact on the economy of almost all the countries, including India. The impact led to negative imports growth rate of -5.05 % in 2009-2010. Lastly, this rate was recorded at 0.29 % in 2012-13. Data clearly shows that like exports annual growth rate of imports in both the periods is also fluctuating because of many reasons. During the study period, it has been noted that foreign trade of India has

shown an increasing trend after the introduction of new economic reforms in India. The study also indicated that post reform era has certainly helped India in achieving high growth of the economy. (Pooja Yadav, 2018, p.105)

India's GDP Growth Rate in Post-Reforms Period: India is one of the largest economies in terms of Gross Domestic Product (GDP) and one of the fastest growing economies in the world. The country is the 10th largest economy in the world with the total GDP of US$ 1,947,000 million. The growth was led primarily due to a huge increase in the size of the middle class consumer, a large labour force and considerable foreign direct investments (FDIs).

Table 3.8: GDP Growth Rate of India from 1999-2000 to 2016-17

Year	Gross Domestic Product (GDP) Growth Rate
1999-2000	7.59
2000-01	4.3
2001-02	5.52
2002-03	3.99
2003-04	8.06
2004-05	6.97
2005-06	9.48
2006-07	9.57
2007.08	9.32
2008-09	6.72
2009-10	8.59
2010-11	9.32
2011-12	6.21
2012-13	4.96
2013-2014	6.38
2014-2015*	7.41
2015-2016*	7.9
2016-2017*	8.17

Source: CSO, RBI, Ministry of Finance; 15 March, 2013 and Databook for DCH; 22 April, 2013

* World Bank national accounts data, and OECD National Accounts data files

India is one of the top exporter and importer which nineteenth and tenth rank respectively in the world. Economic growth rate stood at around 6.5% for the 2011-12 fiscal years and has been sharply declining. According to IMF (International Monetary Fund) Report in 2011, India's per capita income stood at $3,694 and 129th in the world, thus making a lower-middle income economy. (Indian Economic Report, 2011 – 2012). India's economy is a mixture of agriculture, wide range of industrial sectors and services sectors. Faster economic growth rate in 2000s permitted a significant increase in real per capita private consumption. A large share of population, perhaps as much as40 percent, remains too poor to afford adequate food. (Singh, 2014, p.74)

The growth rate of India's GDP has been sporadic rise and drastic fall in the last fourteen years (1999-2000 to 2012-13). While India recorded growth rate of 7.9 per cent during in last ten years (2001 to 2010). The growth rate has been reached a peak of 9.57 per cent in 2006-07 and lowest growth rate 3.99 per cent in 2002-03. India has been ranked 141st on the basis a per-capita-income, and 130th ranked on the basis of GDP (Purchasing Power Parity) in 2012, according to the International Monetary Fund. The country is the 10th ranked in terms of importer as well as 19th ranked in terms of exporter in the world.

The growth rate of economy decelerated to around 5.0% in 2012–13 fiscal year compared with 6.2% in the previous fiscal. The growth rate has been reached a peak of 9.57 per cent in 2006-07. It is found that the growth rate has gradually increased from 7.41% to 8.17% during in last three years (2014-15 to 2016-17). In order to control the fall in rupee, the Reserve Bank of India has been announced capital controls on external investment by both corporates as well as individuals. India's GDP growth rate was 9.3% in 2010–11. Thus, the growth rate of economy has nearly halved in just three years. GDP growth increased slightly to 4.8% during the quarter through March 2013, from about 4.7% in the preceding quarter. The central government has forecast a growth rate of 6.1% - 6.7% for the fiscal year 2013– 14, whilst the RBI expects the same to be at 5.7% growth rate. (Singh, 2014, p.76)

Chapter (IV)

Economic Reform and Foreign Trade of Myanmar after (1988)

Myanmar's transition into a market economy began with a series of open door policies. After the military took power in 1988, the State Law and Order Restoration Council (SLORC), later re-constituted as the State Peace and Development Council (SPDC), allowed private sector businesses to engage in external trade and retain their export earnings, and started to legitimize and formalize the border trade with neighboring countries. Foreign trade rapidly increased during the 1990s and up to 2005, and foreign direct investment flowed into the country. As the volume of trade increased, Myanmar expanded its trade relations with its neighboring countries, becoming integrated into regional markets. (T. Kudo and F. Mieno, 2009, p.103)

4.1. Economic Background of Myanmar

Myanmar is the largest country in the mainland Southeast Asia bordering Bangladesh and India in the west and northwest, China in the north and northeast, Laos PDR and Thailand in the east and southeast. With the collapse of centrally planned economy in 1988, the country has adopted a market-oriented economic system and initiated various economic reform measures. The broad idea of implementing such reforms was to restore and enhance economic growth, which generates more benefits to the general public.

The reforms have been started by the military government in the early 1990s. Having captured the power in September 1988, the military government declared its intention to abolish "the Burmese way of socialism" and undertake various reforms. In short, a series of reform policies were oriented to market transition economy reform. The fiscal and financial sectors were separated. For the financial sector, the mono-bank of the socialist economy was divided into the central bank and other specific state-owned banks that provided services such as foreign exchange and agricultural development. The commercial banking sector was opened up for private capital entry under license, and private commercial banks were established by the mid-1990s. Reform of the SOEs remained incomplete, with only small factories and retail shops being privatized, but for

the most part, the sector remained unchanged. Nonetheless, the autonomy of the SOEs was weakened under the integrated account system introduced in 1990. The external economic relationship was largely liberalized. Trade, which had been strictly limited under "the Burmese way of socialist government", was totally liberalized under the import licensing system, including trade in border areas. The authorization of trade had a fundamental impact on the economy in terms of Myanmar's historical context.

Meanwhile, the military government's attitude toward reforms for macroeconomic stabilization was very passive. In general, formation of the financial sector and the deregulation of trade and capital flow inevitably complicate the demand and supply of the money and foreign exchange. In Myanmar, however, in spite of the change of real and financial sectors, the system for control of money and foreign exchange remained unchanged. The exchange rate had been virtually fixed to 5–6 % against the US dollar, and directly holding foreign currency was prohibited in the private sectors: All exporters were obligated to deposit foreign currency at either the Myanmar Investment and Commercial Bank (MICB) or Myanmar Foreign Trade Bank (MFTB).

In many ways, these reforms brought about a degree of dynamism to growth in the 1990s. The "start" of trade realized a vast surplus of trade, particularly in exports from the primary sector such as agricultural and marine products and precious metals, which accelerated capital accumulation in the private sector. The expanding exports triggered greater diversification of crops in the agricultural sector. FDI also grew mainly in the construction, tourism, and mining sectors. Under such stimulation of economic and financial reform, private banks were established one after another by the growing private business capital in mid 1990s, forming a domestic financial system.

Meanwhile, the halfway reforms brought confusion to the economy. While the reforms achieved market-based economy to a degree in trade, finance, and investment, strong state control over policies in the fiscal sector including SOEs, the monetary sector, and the foreign exchange system remained little changed. In particular, the stiff foreign exchange system continued to keep in place an unrealistic official exchange rate, thereby fostering a large-scale black currency market. The official and market exchange rates diverged increasingly due to the large depreciation of the domestic currency caused by accelerating inflation. During the Asian financial crisis (AFC) in 1997–1998, the government faced a serious shortage of foreign reserves, resorted to direct import

restrictions and strict controls on foreign currencies gained through the private sector. By doing so, the government adhered to the existing system and was able to avoid any drastic reforms. In 2003, Myanmar's economy experienced a serious recession triggered by bank runs. The situation was converted again in around 2004, as natural gas production, which had been developed since the early 1990s, came online. Gas exports enabled the government to accrue large foreign reserves and increase its fiscal revenues. This rescued the economy from the crisis and brought about some stability. (K. Odaka, 2016, p.56)

As general election based on the new Constitution was held in November 2010, economic reforms in Myanmar accelerated again in the 2010s. In March 2011, the General Assembly was convened, elected U Thein Sein as President. Along with the improvements in the political process, senior officials and advisers enthusiastically advocated the need for drastic economic reform and succeeded in the gradual lifting of unreasonable economic regulations that had constrained Myanmar's economy over a long period. In April 2013, the exchange rate system was significantly changed, unifying the multiple rate system into a near-market rate, thereby virtually realizing a managed float system. The new central bank law to establish its independence from the budgetary department was enacted in August 2013. (K. Odaka, 2016, p.54)

4.2. Foreign Trade Reforms of Myanmar (1990-2014)

Since Myanmar has changed its economic course from a centrally planned economy into a market oriented system, a series of structural reforms had been introduced and new legal policy instruments were enacted as paving way for market oriented economy. The Myanmar government has recognized, in the context of the market-oriented economic system, the private sector as a prime-mover of the market mechanism and pays great attention for its development. All-out efforts are being made to encourage the active participation of private sectors in foreign trade and giving full support in every angle as to cope with the international trading practices.

4.2.1. Foreign Trade Reform under Military Government (1990-2010)

According to the changing economic system from socialist to market-oriented economic system in 1991, the military government of Myanmar encouraged the private sector participation in the trade sector, allowed the export-import companies and their activities to be registered, permitted the foreign direct investment, border trade activities,

and formed the foreign and domestic joint venture. During this period, the main components of Myanmar external trade policy were export promotion and import substitution.

On the export side, as one major objective of export promotion policy is to export all exportable surpluses, government of Myanmar permitted the exporting companies to export all commodities except certain restricted items such as rice, rice products, and timber; all these are monopolized by state-owned enterprises to maintain inland food security and keep the stability of national environment. There were neither export quotas nor ceiling for any exportable product or any individual or organization. Meanwhile, in order to avoid the trade deficit problem, importing the capital goods and raw materials by the private sector was balanced with parallel essential consumer goods in import policy.

In general, it can be seen that foreign trade policy of Myanmar under the military rule was closely related to the industrialization policy and it seemed to uplift the private sector. The export policy of Myanmar was to mainly use the natural resources such as rice, teak, and natural gas; and at the same time to introduce a number of new items in the manufacturing and processing sectors. The import policy of Myanmar was to give priority to consumer goods, industrial machinery including raw materials and other essential items. Open-door policy of this period helped increase Myanmar external trade throughout 1990s and up until 2005. (Kyaw Kyaw Lynn, 2015, p.127)

4.2.2. Foreign Trade Reform under New Government (2010-2014)

After the 2010 election, the military government was replaced with the new government, and the Government of the Republic of Myanmar had been reorganized in the context of the market-oriented economic system. The private sector became a prime-mover of the market mechanism and was paid a great attention for its development. Under the new government, both of the foreign trade sectors of export and import can be said to have grown gradually. However, during this period, foreign trade of Myanmar witnessed trade deficits. It is because although there wasn't much change in exporting products, which were primarily based on the natural resources, imports had reached a high level since the new government launched the car substitution scheme in September, 2011. This scheme allowed the old cars to be replaced with new models. Also in July 2012, the permission to import new models of cars was even given to individuals willing to import new models of cars to Myanmar. From that time onwards, more than 100,000

vehicles have been imported to Myanmar. Increase in importing vehicles became one of the major factors of Myanmar trade deficit. Therefore, Myanmar witnessed trade deficits of 304 million US $ and 809 million US $ in 2012 and 2013 respectively. (Kyaw Kyaw Lynn, 2015, p.128)

4.3. Foreign Trade Policy of Myanmar

Myanmar's strategic location in the region provides its entire world trading partners with ample business opportunities both in the domestic market and in the adjacent region. As Myanmar is an original member of the WTO, Myanmar considers that the multilateral trading system can bring a wide range of opportunities for exports and overcome its supply-side constraints. Therefore, Myanmar is looking beyond its Asian neighbors to develop trade and investment ties. International trade has been largely dominated by private sectors activities. Several steps have been taken to encourage the active participation of the private sector in international trade. (Zin Zin Naing, 2014, p.5)

Export policies of Myanmar under the new government are to explore and spread out the foreign markets by utilizing the human and natural resources efficiently and effectively; and to stimulate the exports of traditional and value-added products. Myanmar's import policy is to give priority to importing capital goods which are required by the State, raw materials which are needed for production, other important essential goods and the goods which can be used to support the public health and export promotion. (Asian Development Bank, 2014).

4.3.1. Export Policy

Myanmar's export policy is to export all exportable surpluses and diversify the foreign markets by using natural and human resources. The activities of increasing and diversifying exports and improving the quality of products have been attempted to increase the volume and the value of export. The following are the main components of Myanmar's external export policy.

- Export promotion is the main ingredient of Myanmar's external export policy:
- The private sector is allowed to engage in external trade activities in accordance with the rules and regulation which are related with exports:

- Exports first are required in the case of private sector however accounts transfer between different foreign currency accounts holders is also permitted:
- The private exporters are allowed 100 percent export retention:
- All commodities are allowed to be exported except certain restricted items like rice and rice products and other products which are prescribed to be solely exportable by the state owned Economic Enterprises with a view to maintaining internal food security:
- All export of private sector including foreign traders and state enterprises are subject to licensing.

Myanmar's main export items are agricultural products, forest products, fishery products, metals and minerals, precious stones and industrial products. Some commodities which are restricted to be exported from time to time are allowed to export in accordance with the prescribed rules and regulations. Although rice and other restricted crops (except credible oil seeds) and rubber are restricted to export by private sector, the agricultural products from the large farm leased to the private sector under the land reclamation. Programme of the government are permitted to export. Normally, the registered exporters/ importers have the right to export all commodities, except rice and rice products and other products which are prescribed to be solely export by the State-owned Economic Enterprises.

Thirty one items which are including teak, rice etc. is prohibited to export overseas and through the border areas. Method of Exports is Normal Letter of Credit, Transit Trade Account Trade, Counter Trade, Barter Trade, Re-export and other methods. Trade can be exported only to Thailand and Bangladesh signed to carry out with Account Trade. Although above mentioned commodities are prohibited to be exported by private entrepreneurs, the state-owned organizations are allowed to export in accordance with the prescribed rules and regulations. Although rice and other restricted crops (except edible oil seeds) and rubber are restricted to be exported by private sector, the agricultural products from large firms leased to the private sector under land reclamation programme of the government are permitted as follows:

- Rice and other restricted 50% of produced crop (Except edible oil seeds)
- Rubber- After 45%of produce has been sold to Myanmar Perennial Crops Enterprise: the rest 55% shall be exported.

Normally, the registered exporter/ importer has the right to export all commodities except rice products and other products which are prescribed to be solely exportable by the State-owned Economic Enterprises 20/31 items including teak, rice etc are prohibited to export overseas and through the border areas. In the hand of democratic government, export policy of Myanmar is to extend and explore the foreign markets by utilizing the natural and human resources in an effective and efficient and to promote traditional and value-added products. (Than Tun Soe, 2018, p.15)

4.3.2. Import Policy

Regarding the import policy, what is important is allowed against the export earning with a view to promote export and to overcome the balance of trade deficit problem. The private businessmen are encouraged to import capital goods, industrial mechanism including raw materials and other essential items while the consumer choices can be fulfilled equally at the same time. The following are the main components of Myanmar's Import Policy.

- Activities pertaining to import substitution are the main ingredient of Myanmar's external trade policy.
- Accordingly, the attempts have been made to substitute some import items with natural resources based industries and implementation of economic reforms, it can be expected to manufacture value-added items like semi manufactured or manufactured products.
- The Private sector is allowed to engage in external trade activities in accordance with the rules and regulations relating to imports.
- All imports of private sector including foreign traders and state enterprises are subject to licensing.
- Agricultural machinery from implements fertilizers, edible oils, raw materials for industries machineries and equipments, construction stores and building materials etc are given top priority for imports.
- The private sector is required to import a specified ratio of priority items.

Policy declaration as to import is to fulfill the basic needs of the country's economic sectors, namely, agriculture, livestock breeding fishery forestry, transportation, manufacturing and mining. The consumer choices can equally be fulfilled at the same time. These are reflected in the classification of import items which are now divided into two categories.

- Priority items (A) which include machinery and spare parts, agricultural machinery and farm implements, fertilizers, pesticides, high yield quality seeds, edible oils, oil and industrial raw materials.
- Priority items (B) about sixty times grouped under personal goods, household goods, foodstuff, construction materials, textiles, electronic products and general products.

The private importer is required to import 80% for priority A items; if he wishes to import priority B items, he could also import 20% for priority B items, together with priority A items and ship them at the same time. Generally no quota or ceiling import the prescribed amount of priority items is fulfilled with the exception of edible oil. Some commodities which are not in the list of prohibited items, restricted items and priority items are allowed to import as in the list within the right of 20% ratio for imports.

At present, the under-mentioned items are not allowed to be imported both by overseas and through the border areas. The commodities prohibited to import shall be from time to time amended in accordance with the situation of local market conditions. The Import and Export (Temporary) Act, 1947 is administered by the Ministry of commerce holding all export/ import matters including issues of licenses and permits as well. The authority to issue export/import licenses and permits is delegated to Directorate of Trade and Department of border trade under the ministry of Commerce is authorized to issue export/import licenses and permits for export/import by overseas. (Than Tun Soe, 2018, p.18)

4.3.3. Tariffs Policy

Tariff protection in Myanmar is relatively low by developing country and especially least developed country standards, much lower (and less dispersed) even most ASEAN countries. As tariffs tend to disrupt supply chains, especially when they are levied on raw materials and intermediate inputs, with an average applied most-favoured-nation (MFN) tariff rate of just 5.6% in 2012 and 2013. All applied MFN tariffs rates are ad valorem, thereby imparting a high degree of transparency to the tariff. While less than 20% of tariffs are bound and the average of bound rates greatly exceeds average applied MFN rates, thereby providing a great deal of scope for raising applied rates, this scope has never been used and so the average applied MFN tariff rate has hardly changed since 1996. Myanmar does not impose any tariff rate quotas (or quantitative restraints).

The government was willing to consider binding more tariff lines in order to contribute to a successful conclusion of the current Doha Development Agenda (DDA) negotiations, provided mutually satisfactory results can be achieved in these negotiations. Taxes on most exports were removed in 2012-2013, so that they are now levied on only a few natural resource products, namely, gems, oil and gas, teak and other timber. Remaining export taxes are mainly designed to capture an appropriate share of natural resource rents for the budget.

At the same time, they can also induce downstream processing of the products concerned. In the case of virgin teak, however, Myanmar has announced its intention of replacing the existing export tax with an export ban, as of 1 April 2014. The export ban is arguably more transparent than a prohibitive export tax, and is considered necessary to preserve Myanmar's remaining teak forests and to develop a sustainable hardwood timber export industry. (Zin Zin Naing, 2014, p.11)

4.3.4. Border Trade

The main objectives of Border Trade agreements are to enhance bilateral friendship with neighboring countries; to promote trade and keep it on the track of conventional trade; to ensure the full realization of revenues to be levied by the state; to provide favourable condition for private businessmen by which to earn reasonable benefit; and 5 to help facilitate the flow of goods. Since 1996, Myanmar had signed three border trade agreements with India, Thailand and Bangladesh, one MoU with China and one protocol with Laos. Apart from Laos, Myanmar had opened the respective border trade posts in border areas. In order to promote border trade, the Ministry of Commerce has been performing the transaction by promulgating the separate vision, mission, strategies and tactics.

Generally, opening border trade posts, as expressed in signed agreements, and organizing the integrated team called One Stop Services (License, Bank, Tax and Duty, Immigration and Police), consisting of the concerned Departments as the initial steps to encourage border trade. Installation of Border Trade Online System (BTOS) has also begun as a trade facilitation measure. The establishment of border trade related committees, such as Joint Border Trade Coordinating and Cooperating Committee with China in 2006; Border Trade Committee with India in 2012; Joint Working Group Border Trade Official with Bangladesh in 2011 are one of the concrete steps taken to discuss border trade-related

matters. In addition, new border trade posts were established in addition to the designated postsmentioned in trade agreements/ MoU and protocol in accordance with the seven fundamental points, namely, Myeik, Maw Taung and Htee Khee border trade posts in Myanmar-Thailand border; Chin Shwe Haw, Kan Pyke Tee posts in Myanmar-China border; and Sittwe post in Myanmar-Bangladesh border. (Zin Zin Naing, 2014, p.9)

4.4. Regional Trade Co-operations in Myanmar

Myanmar is an original Member of the WTO. The authorities consider that Myanmar's foreign trade policies are governed by the rules-based multilateral trading system. The government considers that the multilateral trading system can bring a wide range of opportunities for Myanmar's exports and overcome its supply-side constraints. Myanmar has been participating in the Doha Round, aiming to make sure that 100% duty-free, quota-free market access will be granted to LDCs by the end of the Round. The government wishes to take advantage of the special and differential treatment provisions and technical assistance offers LDCs meet the Government's economic objectives (WTO, 2014). Myanmar became an ASEAN member in 1997; it will chair the ASEAN in 2014.

Trade with other ASEAN members is around 40% of Myanmar's total imports and around 50% of its total exports. ASEAN Economic Ministers agreed to realize an ASEAN Economic Community (AEC) by 2015 to establish a single market and production base in the ASEAN region, with freer flow of goods, services, skilled labor, and capital. ASEAN currently has component agreements on goods (ATIGA), services (AFAS), and investment (ACIA) (WTO, 2014).

Under ATIGA, ASEAN members must apply a tariff rate of 0-5% for goods originating within ASEAN, with flexibility granted to LDCs including Myanmar. Myanmar’s average tariff under AGITA was 0.6% in 2012. The basic principle for granting origin status to a product is 40% regional/local content. An ASEAN Single Window to process trade documents electronically at national and regional levels will integrate national single windows of ASEAN member countries. Myanmar has been adopting trade facilitation measures and is preparing to start its single window system in 2015 (WTO, 2014). Under AFAS, restrictions on services trade are to be removed in 2015-18 for Myanmar. However, the agreement on services has not been notified to the WTO. The ASEAN Comprehensive Investment Agreement (ACIA), signed in 2009 is intended to streamline the existing ASEAN investment agreements with a view to

attracting more foreign investment into ASEA and increasing intra-ASEAN investment (WTO, 2014).

As an ASEAN member, Myanmar participates in ASEAN's preferential agreements with Australia, New Zealand, China, India, Japan and the Republic of Korea. And Myanmar is negotiating a Framework for Regional Comprehensive Economic Partnership (RCEP) which was decided to be concluded in 2015. The Framework covers trade in goods, trade in services, trade in investment, economic and technical co-operation, competition, intellectual property, dispute settlement and other issues (WTO, 2014). Myanmar signed the Global System of Trade Preference among Developing Countries (GSTP) in 1988. It entered into force on 19th April, 1989 to increase trade between developing countries (WTO, 2014).

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Co-operation (BIMSTEC) were joined on 22nd December 1997. But it is not functioning till now. BIMSTEC is a forum to facilitate and promote trade, investment and technical co-operation among participating countries: Bangladesh, Bhutan, India, Nepal, Sri Lanka, Myanmar and Thailand. It identifies 13 broad sectors for co-operation, including trade and investment, technology, tourism, transport and communication, energy, agriculture, fisheries, poverty alleviation, and counter terrorism and transnational crimes.

In 2004, BIMSTEC parties agreed to establish a BIMSTEC Free Trade Area that goods except those included in the Negative List, will be subject to tariff reduction, or elimination according to their different time frames. Myanmar had tariff reduction and eliminations for its fast track products before June 2011 and the tariff on its normal track products are to be reduced or eliminated before June 2017. Rules of Origin have not yet been agreed among BIMSTEC countries (WTO, 2014).

The Greater Mekong Sub-region Program appears to have aided integration within the region. In 1992, Myanmar, Cambodia, Lao PDR, Thailand, Vietnam and Yunnan Province of China launched a program of sub-regional economic co-operation to enhance economic linkages across their borders. The GMS program covers nine priority sectors: transport, energy, telecommunication, environment, human resource development, tourism, trade, private sector investment and agriculture. The GMS countries have ratified an agreement to facilitate the cross-border movement of goods of

goods and people which is being implemented a pilot basis at key border crossings, and is being prepared for full implementation in the GMS corridors. There is no preferential trade arrangement under the GMS (WTO, 2014).

4.5. Foreign Trade and Economic Growth in Myanmar

At the time of State Peace of Development Council, the governments initiated the reforms in economic sectors including trade sector. Departing from Socialist economy and marching toward Market-oriented economy, trade sector grew to some extents. As some reforms including trade sector were performed to initiate the economic development under newly elected government government, the trade volumes tremendously increased year after year during the periods, 2006-2015. However, it can be said that the export growth rate and import growth rate are unbelievable fluctuated under this two governments which was SPDC government and newly elected government. The growth rate of export and import are shown in following table (4.1). (Sann Linn Aung, 2018, p.31)

Table 4.1 Growth Rate of Export and Import, 2006/07 to 2015/16 (Percentage)

Year	Export Growth Rate	Import Growth Rate
2006/07	45.4	46.2
2007/08	17.6	9.4
2008/09	4.9	35
2009/10	22.9	0.9
2010/11	16.8	53.4
2011/12	3.1	40.9
2012/13	13853.5	14153.1
2013/14	41.7	72.2
2014/15	15.4	24.8
2015/16	-8.7	2.4

Source: Statistical Yearbook 2011 and 2016

According to this table (4.1), the export growth rate was 45.4 percent in 2006/07 and it was descended to large extent, 4.9 percent in 2008/09. And it was ascended to 22.9 percent in 2009/10 and then felt to 16.8 percent again in the year, 2010/11 under the SPDC. Moreover, it was still decreased to 3.1 percent in 2011/12 under the newly elected government. But it had interesting that the export growth rate was dramatically increased

in 2012/13. This can partially concern with managed floating exchange rate system which was adopted by the newly elected government. So, the volume of export was extremely differed between 2011/12 and 2012/13. Then the growth rate was decreasing and it reached about (-8.7) percent in 2015/16. By concluding, the increase and the decrease of export growth rate depends on the facts in which most of Myanmar's export are primary goods and the export's quality are being deteriorated, the exchange rate has not stable and there has the lack of foreign market access.

At this study, it is noted that the import growth rate, the growth rate was extremely fluctuated according to express in table (4.1) because it was descended from 46.2 percent in 2006/07 to 9.4 percent and then raised to 35 percent in 2008/09. However, it was decreasing to 0.9 percent and aging increased to 53.4 percent in 2010/11. Under the newly elected government, import growth rate was still decreased to 40.9 percent in 2011/12. Similarly, it was dramatically increased like the export growth rate in 2012/13. The reason was the managed floating exchange rate system which was adopted by the newly elected government. So, the volume of import was extremely differed between 2011/12 and 2012/13. Then the growth rate was decreasing and it reached to 2.4 percent in 2015/16. To sum up, the increase and the decrease of import growth rate are depended not only on trade policies but also the activities of domestic production firms according to market situations.

Gross Domestic Product (GDP), it means a financial expression of the value of final goods and services produced within a country's borders in a year's time. By reviewing the GDP growth rate, it may be said that it was deteriorated under SPDC government but it was improved under newly elected government. Because GDP growth rate in 2006/07 is 13.1 percent decreased to 9.6 percent in 2010/11 under SPDC and GDP growth rate in 2011/12 is 5.6 percent increased to 7 percent in 2015/16 under newly elected government. (Sann Linn Aung, 2018, p.32)

4.5.1. Share of Trade Sector in GDP

The difference between open economy and closed economy is whether there is absence or presence of trade with other nations. In another word, open economy trades with other open economies. In modern world, the degree is economic openness is determined by the share of trade sector in Gross Domestic Products of the economy. Again, economies become more open than previous eras when the ruled make reforms of economy. For the

sakes of greater economic openness, the government has to set or liberalize the restrictions on trade sector of the economy. So, it can be said that the government's efforts are important for the increase of the share of trade sector in the economy.

As shown in table (4.2), the share of trade sector in Myanmar seems to deteriorate under two governments because the share of trade sector in 2006/07 is 22 percent of GDP but at the end year, its share descended to 20 percent of GDP in 2010/11 under SPDC governments. It was because of the imposition of sanctions on Myanmar by western world. Under democratic governments, democratic government makes reforms that international family asked for many years ago and so international governments lifted sanctions as a reward for the reforms that the government wisely chose.

Table 4.2 Sectorial Contribution in GDP (at Constant Prices) (Percentage)

Sectors	**2006/07**	**2010/11**	**2011/12**	**2015/16**
Agriculture	37	28	26	20
Livestock and Fishery	8	8	9	9
Forestry	1	0	0	0
Energy	0	0	0	0
Mining	1	1	1	1
Processing and Manufacturing	14	20	21	22
Electric Power	0	1	1	1
Construction	4	5	5	6
Transportation	11	12	12	13
Communications	1	1	1	5
Financial Institutions	0	0	0	0
Social and Administrative Services	1	2	2	3
Rental and Other Services	2	2	2	2
Trade	**22**	**20**	**20**	**18**

Source: Statistical Yearbook 2011 and 2016

But the share of trade sector in 2011/12 is only 20 percent of GDP descended to 18 percent of GDP in 2015/16. However, the real cause is that the sector growth rate of trade is less than the sector growth rate of other sectors in Myanmar as shown in table (4.2). (Sann Linn Aung, 2018, p.33)

Chapter (V)

India - Myanmar Trade Relations: A comparative Study

India - Myanmar trade relations are the most important part of mutual relations between two neighbouring countries. India and Myanmar has inseparable relation since time immemorial. Besides, Myanmar is often perceived to be a buffer state between the two Asian giants of India and China and also a linkage nation for India and other Southeast Asian nations (Bhattacharyya, 2000). Therefore, Myanmar can plays a significant role in both the geopolitics and geo-economics of South and South East Asia regions due to its strategic location. (Yogendra, 2007)

As a ‘gateway’ to South East Asia, Myanmar is also vital in terms of economic development for India’s North East Region (NER). India shares a 1643 km long border in four north-eastern states with Myanmar and this geographical proximity provides opportunity for the hitherto economically isolated northeast states of India to link to economic opportunities and markets in the east, building on their strong historical sociocultural and economic linkages with Myanmar. India's new “Act East” policy and Myanmar's recent economic opening are main focal points in developing the two countries' economic relations. (Indian Council for Research on International Economic Relations, 2019),

Despite these favorable conditions, India–Myanmar trade and economic linkages are weak, when it is compared to Myanmar's economic connections with other bordering and regional countries. Moreover, high tariffs from the Indian side have also made the country a less attractive market for Myanmar exporters. (Shine Zaw Aung, 2016, P.7)

5.1. Bilateral Trade between India and Myanmar

India and Myanmar share many traditional similarities due to cultural links, flourishing trade and commerce, common interests in regional affairs, socio-economic systems. Both countries are ranked among the key emerging market economies in South Asian region. It is therefore, the bilateral trade and economic relationships reflect the

common interests and aspirations. It helps to leverage the full potential of the multifaceted bonds between the two neighboring countries, whose historical relationship since pre-history. In recent past years the trade between India and Myanmar has grown impressively. This positive trend has been marked by a rise in exports to and imports from Myanmar, reflecting the increasing economic and commercial linkages between the two developing nations (Shailesh Vaidya and Richard Rekhy, 2013).

According to the study of Indian Council for Research on International Economic Relations (2019), India-Myanmar bilateral trade has grown from US$ 994.45 million in 2007-08 to US$ 1.6 billion in 2017-18, an approximate increase of 61 percent. However, notably in 2017-18, there has been a significant decline of 26 per cent in India-Myanmar trade from the previous year. Compared to 2016-17, exports fell by 13 per cent and imports by 40 per cent in 2017-18. In fact, 2017-18 saw imports from Myanmar fall to their lowest value in the last ten years. The key reason for the decline in imports from Myanmar has been the import restrictions on peas and lentils levied by India. India is the world's largest producer of pulses, but domestic demand outstrips production. The shortfall has been traditionally met through imports and Myanmar has been a key import source.

Table 5.1 India's Top 5 Exports to Myanmar (Values in US$ million)

Commodity Description	**2011-12**		**2017-18**	
	Value	**% Share**	**Value**	**% Share**
Pharmaceutical products	78	14.4	179	18.5
Iron and steel	31	5.6	109	11.2
Electrical machinery and parts	-	-	68	7.0
Vehicles and parts	-	-	67	7.0
Sugars and sugar confectionery	-	-	67	7.0
Articles of iron or steel	214	39.2	-	-
Meat and edible meat offal	28	5.1	-	-
Residues from food industries	27	4.9	-	-
Total of Top 5 Exports	378		490	
Share of Top 5 Exports in Total Exports	69.2		50.7	

Source: Directorate General of Foreign Trade, Ministry of Commerce and Industry, Government of India (DGFT Notification 22/ 2015-2020, 2017)

However, in 2017 a bumper harvest in India drove down domestic prices wherein in an attempt to address farmer's distress the government revised the import policy from being 'free' to 'restricted' and limited the import of Pigeon Peas to an annual (fiscal year) quota of 2 lakh MT. Similar action was taken for Moong Dal and import was restricted to an annual (fiscal year) quota of 3 lakh MT. (DGFT Notification 22/ 2015-2020, 2017)
India's imports from Myanmar during 2011-12 to 2017-18, it is found that the share of top 5 imports remained almost constant indicating no diversification of the import basket compared to the previous period. In both the time periods, the top 2 imported commodities remained the same and accounted for more than 95 per cent of the imports from Myanmar. (Table 5.2)

Table 5.2 India's Top 5 Imports from Myanmar (in US$ million)

Commodity Description	**2011-12**		**2017-18**	
	Value	**% Share**	**Value**	**% Share**
Edible vegetables and roots	668	49.1	432	71.1
Wood and articles of wood	669	49.1	143	23.5
Iron and steel	-	-	14	2.3
Lead and articles thereof.	-	-	12	2.0
Coffee, tea, mate and spices.	-	-	7	1.1
Mineral fuels, oils and their products	11	0.8	-	-
Inorganic chemicals	7	0.5	-	-
Products of animal origin, nes	6	0.4	-	-
Total of Top 5 Imports	1361		608	
Share of Top 5 Imports in Total Imports	99.9		100	

Source: Directorate General of Foreign Trade, Ministry of Commerce and Industry, Government of India (DGFT Notification 22/ 2015-2020, 2017)

In this study, it is anticipated that bilateral trade across the land border trade would be enhanced with the dismantling of the restrictive government and providing for normal trade in all commodities. (Indian Council for Research on International Economic Relations, 2019, p.5)

5.2. Myanmar - India Border Trade

The Indo-Myanmar Border Trade had been formalized from April 12, 1995 as a consequence of a border trade agreement which signed in 21st January 1994 between Governments of India and Myanmar through Moreh, a border town of Manipur in Indian side and Tamu town in Myanmar side. The trading activities have assumed importance in the state of Manipur in particular and entire North East India in general. So, Indo-Myanmar border trade was finally open by the Commerce Ministries of the India and Myanmar. It can be said that it can help to boost the Indo-Myanmar bilateral trade and as a result, it will helps to accelerate the economic growth and development of Manipur in particular and entire North East India in general. (Sarma, 2005).

In the Indo-Myanmar Border Trade agreement, mentions only exchange of goods mainly agriculture based products which produced in domestically. The permissible exportable and importable commodities are only 62 items at present. It is so less in the signed but in Moreh-Tamu border sectors along Indo-Myanmar international border, many commodities did not find in the said-Agreement. These commodities include luxurious goods to highly manufactured goods from third countries mainly from Thailand and China. There are reports of such goods to be imported informally through legalized check points. The prices of these goods which not included in the trade agreement are reported impressively low as compared to the prices of similar goods manufactured in India and their volume is suspected to be higher than the volume of the commodities under formal and legalized border trade through Moreh-Tamu border sectors. (Singh, 2014, p.87)

The border trade would bring about greater economic security and prosperity to the population of North Eastern Region (NER) of India as well as Myanmar. It helps to minimize the degree of unemployment and militancy in the region. No doubt, in the age of globalization and liberalization national boundaries have little meaning. In this context Indo-Myanmar border trade will have great significant to the economic development of border NE region and it served as the lifebelt of Myanmar’s sinking economy (Konsam Ibo, 2005).

5.3 Lessons Learnt from India’s Experiences

India and Myanmar represent two important areas of South Asia and South East Asia. These two countries are close neighbors in terms of geographical, historical, religious and

cultural links. India and Myanmar had similar historical experiences, the influence of which has been felt in Myanmar since ancient times. Both India and Myanmar were under the British imperial authority during 1857-1947 and 1886-1948 respectively. The association of the two countries under British rule created a common understanding and they cooperated in their common struggle for independence.

5.3.1 India – Myanmar Relations during British Colonial Era

India and Myanmar both were under the British imperial occupation during 1857 to 1947 and 1886 to 1948 respectively. In 1885, after three wars gaining various parts of the country, the British finally occupied all of Myanmar. (Furnivall, J.S. 1949) India and Myanmar relations during nationalist movement were quite close because Myanmar nationalism was influenced by Indian national movement. Nationalist movement of both countries realized the need for mutual understanding and collaborations for attaining freedom from their common British imperialists. (Annual Commercial Report, 1977)

As a result of mutual understanding and close contacts between the leaders of the independence struggle contributed to friendly relationship, India and Myanmar achieved independence from the British rule on 15 August, 1947 and 4 January, 1948, respectively. Economic relation between India and Myanmar was another factor that determined their close relationship. Both countries came from the same economic background with colonial economy. The origin of trade between India and Myanmar goes back to the ancient times because these two countries had trading routes on land as well as on sea. (Annual Commercial Report, 1977)

5.3.2 India-Myanmar Relations after Independence Era

India and Myanmar cooperated and maintained friendly attitude not only on bilateral level but also on regional level. During the post-independence period they made sincere efforts to ensure the peace and security of the region. In this way, the year 1954 marked the beginning of good neighborly relation between India, Myanmar and China. The five principles of peaceful co-existence, namely, “Panchsheel” were firstly formulated in the preamble to the agreement between India, China and Myanmar in 1954. However, the relations between the two countries breathed its lowest level when the democracy uprising in 1988. Early 1990s saw a gradual policy shift in the attitude of the Government of India towards the SLORC government.

As a result, many difficulties stood in the way of resumption of normal economic relation between India and Myanmar. But friendly feelings between them contributed to a speedy resumption of mutual economic relations and to the gradual development of mutually advantageous trade and economic collaboration. A smoothly functioning economic cooperation between India and Myanmar had become an imperative as India embarked on its Look East Policy. In 1991, Narasimha Rao government launched of Look East Policy, aimed at getting closer to the booming economies of South East Asia. As the only Southeast Asian country sharing a land border with India, Myanmar is a bridge between India and Southeast Asian markets. (Marie, Lall,2006),

5.3.3 India and Myanmar: A Comparative Study

The EXIM polices are adopted by any country regarding the exports and imports goods and services with other countries in the world. After independence, the Government of India set up the Planning Commission and the First Five Year Plan was launched in April 1951. Since then Eleventh five year plans have been completed and the Twelfth Plan is in progress. As a whole, each plan set for itself a target for raising national income and per capita income. The target ranged from 2.1 percent per annum in the First Five Year Plan to 8 percent in the Eleventh Five Year Plan. The Twelfth Five Year Plan proposed a target of 8 percent GDP growth for the period 2012-17 but actual growth rate was only 6.7 percent. It is found that the actual achievement during the plans has been anywhere between 2.7 per cent and 8 per cent.

Before 1991, India is also protected by inward looking policy only for the purpose of protecting weak industries of India or Indian markets from foreign competition. India is also not interested in exporting and importing of goods and services to foreign countries. Up to 1991, the Indian economy is under the coverage of heavy tariffs more than 200 percent and there was extensive imposition of quantitative restrictions and full protection on the foreign investment in India. But in 1991, the India economy got liberalized and almost in all the sectors the restrictive policies were abolished. Since that time the trade has produced remarkable achievement in the GDP of India which is increased from 15 percent from 1991 and in 2016-17 it was 8.17 percent. Currently, India is the 68 most competitive nations in the world out of 141 countries ranked in the 2018 edition of the Global Competitiveness Report published by the World Economic Forum.

Myanmar was the world's largest rice exporter when it won independence from Britain in1948. The period from 1950 to 1962, was a "golden age" of post-war Myanmar. The military takeover that ended parliamentary rule in 1962 ushered in the disastrous era of the "Burmese Way to Socialism". Popular discontent finally erupted in the demonstrations of 1988 that were put down by the new military government that styled itself the State Law and Order Council (SLORC). Socialism was presumably abandoned and a new era of openness to market forces and the international economy was declared.

After the military took power in 1988, the State Law and Order Restoration Council (SLORC), later re-constituted as the State Peace and Development Council (SPDC), allowed private sector businesses to engage in external trade and retain their export earnings, and started to legitimize and formalize the border trade with neighboring countries. Since Myanmar has changed its economic course from a centrally planned economy into a market oriented system, a series of structural reforms had been introduced and new legal policy instruments were enacted as paving way for market oriented economy.

After the 2010 election, the military government was replaced with the new elected government that had been reorganized in the context of the market-oriented economic system. The export growth rate and import growth rate are unbelievable fluctuated under these two governments. The export growth rate was 45.4 percent in 2006/07 and it was descended to large extent, -8.7 percent in 2015-16. The import growth rate was also extremely fluctuated because it was descended from 46.2 percent in 2006/07 to 2.4 percent in 2015-16. By reviewing the GDP growth rate, it can be revealed that GDP growth rate in 2006/07 is 13.1 percent and increased to 7 percent in 2015/16. Under democratic government, international governments lifted sanctions as a reward for the reforms that the government wisely chose. Currently, Myanmar is the 131 most competitive nations in the world out of 141 countries ranked in the 2018 edition of the Global Competitiveness Report published by the World Economic Forum.

From this study, it can be revealed that India and Myanmar both were under the British imperial occupation during 1857 to 1947 and 1886 to 1948 and both countries achieved independence from the British rule on 15 August, 1947 and 4 January, 1948, respectively. Therefore, both countries came from the same economic background with colonial economy. Furthermore, both countries emerged from the same constitutional

traditions and both drafted their constitution over the same few years. Both chose democracy and India has remained an inspiration.

With the collapse of centrally planned economy in 1988, Myanmar government has adopted a market-oriented economic system and initiated various economic reform measures which have been started in the early 1990s. Few years later, in 1991, India government made economic reform. Therefore, it can be noted the economic reforms period between India and Myanmar was not too much different. However, during the three decades reforms, India is ranked at 68 and Myanmar is ranked at 131 of most competitive nations in the world out of 141 countries which is ranked in the 2018 edition of the Global Competitiveness Report published by the World Economic Forum. When it is compared, it can be surprisingly seen that among the 141 countries in the world, India is higher 63 ranks than Myanmar.

After a series of economic reforms from 1990 onwards, it is commonly believed that Myanmar is still facing a number of challenges such as weak channels of political representation and lack of peace and security which is a foundation for inclusive and sustainable development for all communities, internal armed conflict with ethnic races which are still escalating in some regions and states, Legal system is also not fully applicable according to time and situations as those were enacted since colonial period and finally lack of rule of law which is a principle of governance in which all persons, institutions and entities, public and private, are accountable to laws.

From Indian Economic reforms, it is learnt that the ideas implemented in the reform had been extensively discussed domestically, well before the crisis. On the other hand, the reformers in the government saw the crisis as an opportunity to implement changes. India's reforms have often been called gradualist rather than of the "big bang" variety. However, reformers had the advantage of making small changes to begin with and allowing time to build a broader consensus across parties.

It is also found that Democracy is not a consensual form of government. It is an intensely competitive and adversarial form, in which political parties in opposition will engage in heated criticism of those in power. However, while criticism from the opposition is essential for democracy, economic actors also want assurance that policies that have worked well, will not be reversed every time there is a change of government.

It can be concluded that India's gradualist approach helped build a consensus across political parties that enabled the reforms to continue, even as the political parties running the government changed. In the light of above study, it can be summarized that both India's and Myanmar's economies have increased significantly especially after the introduction of trade reforms. However, both the economies still have long path to go.

Chapter (VI)
Conclusions

6.1 Findings

Trade liberalization, nowadays, is considered to be the engine of economic growth. The process of trade liberalization and market-oriented economic reform that had started in many developing countries in early 1980s intensified in the 1990s. The contents and philosophy of their reform programmes were similar to those designed by the international finance institutions (IFIs) which in turn have been referred to as the "Washington Consensus" since the early 1990s.

In the post-independence period, India adopted a mixed economy strategy with the state and the private sector competing for scarce resources. In 1980s, the trade policy was liberalized to some extent and witnessed a record growth of industrial production. In the early 1990s, the Indian economy suffered from the very acute macroeconomic crisis due to the shortage of foreign currency reserve. Because of this situation, to obtain emergency loans from world economic organizations, India agreed to adopt reforms aimed at liberalizing its economy.

Since 1991, trade policy reform has opened up India's trade. The major trade policy reform, together with other policy changes have led to a greater integration of India with the world economy and improved capacities. This study finds that India's trade reforms were accomplished with a high degree of success. However, it is found that the trade deficit has been significantly high. Moreover, although India's economy is becoming as one of the fastest growing economies in the world, India is still facing many challenges common to most developing countries such as widespread poverty and unemployment, and growing income inequality. Consequently, it is found that while significant trade policy reform has been achieved, India still has a number of remaining areas to address.

According to the study, it is noted that Myanmar trade sector needs many more reforms such as streamlining and simplification of trade and related policies and procedures. Under other conditions, it is found that Myanmar needs to establish a stronger foundation for a market economy by improving public accountability, enhancing the rule of law, reducing corruption, and providing traders with information that they need to do business and connect to global supply chains.

6.2 Suggestions

The experience of post-1991 economic reforms shows that India needs to continue to further opening up its economy. In the area of tariffs, it is suggested that India's further tariff reform may need to mainly consider lowering the tariff peaks applicable to certain product categories, reducing the number of rates applied, and simplifying the tariff government to make it more transparent. The government needs to make special efforts to increase the high technology exports such as aerospace, computers-office machine, scientific instruments, electrical machinery, pharmacy etc.

On the other hand, it is suggested that the reforms of Myanmar foreign trade should be based on the integrated consideration for the overall economy. As the foreign trade is an essential driver for economic prosperity, it will also be important for Myanmar to continue to reform in order to stay competitive and share the gains equitably. However, decades of economic isolation and armed conflict have left Myanmar with widespread poverty, informality and lingering fragility. Thus, it will be important to sequence reforms carefully, while also implementing complementary policies for the poor and vulnerable, both men and women, particularly those who live in conflict-affected areas, so they can also benefit from greater trade.

There are some lessons from India's experience that could apply to Myanmar as India's economy has grown rapidly over the decades. India's development experience may be offered both positive and negative lessons for Myanmar. However, the pattern of the trade is important along with proactive government policies designed to ensure more inclusion and greater spread of the benefits of trade. In particular, Myanmar has the advantage of being able to avoid the mistakes that other countries which have made in terms of premature liberalization. On the other hand, Myanmar needs to reform some institutional aspects of the economy that impact on its trade policy. Lastly, the comprehensive reforms also should be carried out with the prospects of realizing the

potentialities of regional integration and setting the country on a steady path of development.

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