

Economic Policy 1991

Azad

August 07



IGNITED MINDS
Be the change..

Latest Questions

Policy to regulate supply of money and credit by RBI is known as

- a) Fiscal policy
- b) Monetary policy
- c) Both
- d) None

New Economic Policy 1991 aims at

- a) Liberalization
- b) Privatization
- c) Globalization
- d) All the above



Latest Questions

WTO came into force on

- a) January 1, 1995
- b) January 26, 1950
- c) April 10, 1991
- d) None of the above

Latest Questions

WTO agreement includes

- a) TRIMS
- b) TRIPS
- c) Dispute Settlement
- d) All the above

Economic Policy

(Unit II of NCERT Class 11th)

- Background of the reform policies introduced in India in 1991
- The process of LPG
- Impact of the reform process

Taxation

Direct Tax
Indirect Tax

**Government
Funds**

Borrowings

Public Sector Enterprises

Maharatnas

1. Indian Oil Corporation Ltd
2. National Thermal Power Corp Ltd.
3. Oil & Natural Gas Corp. Ltd(ONGC)
4. Steel Authority of India Ltd.(SAIL)
5. Coal India Ltd. (April 2011)
6. Gas Authority of India Ltd (Feb 2013)(GAIL)
7. Bharat Heavy Electricals Ltd. (Feb 2013)

IGNITED MINDS

Be the change..

1991

- In 1991, India met with an economic crisis relating to its external debt — the government was not able to make repayments on its borrowings from abroad;
- Foreign exchange reserves, which we generally maintained to import petrol and other important items, dropped to levels that were not sufficient for even a fortnight.
- The crisis was further compounded by rising prices of essential goods

1991

- Late 1980s, government expenditure began to exceed its revenue by such large margins that meeting the expenditure through borrowings became unsustainable.
- India approached the **International Bank for Reconstruction and Development (IBRD)**, popularly known as **World Bank** and the **International Monetary Fund (IMF)**.
- **WB+IMF= The Bretton Woods Institutions (1944)** and received \$7 Billion as loan to manage the crisis. IMF and WB expected India to liberalize the economy.
- \$1.2 Bn Forex in Jan 1991, reduced to half by June, Crisis July;
- 67 ton Gold was mortgage for \$2.2 Billion Loan

New Economic Policy (NEP)

Before 1991:

- i. industrial licensing under which every entrepreneur had to get permission from government officials to start a firm, close a firm or to decide the amount of goods that could be produced
- ii. private sector was not allowed in many industries
- iii. some goods could be produced only in small scale industries and
- iv. controls on price fixation and distribution of selected industrial products.

Liberalization

- The only industries which are now reserved for the public sector are defense equipment, atomic energy generation and railway transport
- In many industries, the market has been allowed to determine the prices
- Tax Reforms
- Rupee was devalued- Foreign exchange reform
- Quantitative restrictions on imports
- Export duties removed

Privatization

- Government company is converted into private company in two ways
 - By withdrawal of government from ownership
 - by outright sale of PSE
- *Privatization of a public sector enterprises by selling off part of the PSEs to the public is known as **disinvestment**.*
 - *improve financial*
 - *Discipline and facilitate modernization*
 - *FDI*



Globalization

- Integration of the economy of the country with the world economy
- Outsourcing
 - Information Technology
 - BPO

World Trade Organization Structure



Ministerial
Conference

- 166 members
- Appoint DG
- Trade Agreements
- After every 2 years

General Council

- D2Day Business
- Trade Policy Review
- Dispute Settlement

Secretariat

- DG
- Geneva

Reduce Trade Barriers : Tariff Barrier and Non Tariff Barrier

WTO

World Trade Organization (January 1, 1995) Replacing General Agreement on trade and tariff(GATT - 1947)

India an important member plays a forefront role

166 members – Afganistan 2016

Director General : Roberto Azevêdo

Major Agreements of WTO

- Sanitary and Phyto-sanitary measures Agreement(SPM)
- General Agreement on Tariff and Trade(GATT) - Goods
- General Agreement on Trade in Service (GATS) - Services
- Trade-Related Aspects of Intellectual Property Rights (TRIPS)
- Trade-Related Investment Measures (TRIMS)

GREEN, BLUE AND AMBER BOX subsidies

Agreement on Agriculture (AOA)

IMPORT duty, Export Subsidy, Domestic Subsidy

Green Box

subsidies that do not distort trade fall in this box (drought relief, training)

Amber Box

- The subsidies that distort the international trade by making products of a particular country cheaper : Diesel, Fertilizer, Electricity, MSP : **5% 10% of de-minimus level**

Blue Box

- These are basically Amber Box subsidies but they tend to limit the production. Iceland, **NO LIMIT**

Assessment

Growth of GDP (in %)

1980-91	1992-2001	2002-2007	2007-12	2012-17
5.6	6.4	7.8	8.2	7.8

FDI+FII has increased from US\$100 million(1991)
to over US\$500 Billion(2016)

Forex : US\$367.932 billion as on 31st March 2017
Gold reserves : US\$20.46 billion.- Nov 2016

Agriculture and Employment have not received enough focus



Assignments:

Revolutions of India.

PMs of India.

P5 countries.

PMs and CMs of J&K.

Forts and Temples in J & K.

Books written by APJ Abdul Kalam

SAARC, ASEAN, BRICS, G20

Awards National and International (2016-17)



Queries?



Thank you all..

Drop your feedback at
syedazadhb@gmail.com

+917051565629