

FOREIGN POLICY STRATEGIES FOR ENHANCING THE INDIAN ECONOMY: AN ANALYSIS

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Abstract:

Foreign policy strategies play a crucial role in determining a country's economic growth and development. This research paper aims to analyze the impact of foreign policy on the Indian economy and proposes effective strategies that can be implemented to boost economic growth. The paper highlights the importance of trade, investment and technological advancements in strengthening in economy and argues that foreign policy can play a significant role in achieving these objectives.

Keywords: Foreign Policy, Economic Growth, Economic Development,

Introduction:

Foreign policy is a critical aspect of any country's economic development, and India is no exception. In recent years India has been making significant strides in economic growth with a rapidly expanding GDP, burgeoning domestic markets and increasing global presence. However, there is still a long way to go to achieve its full potential, and foreign policy plays an essential role in achieving this goal. India is the one of the fastest-growing economies in the world with a projected GDP growth rate 7.5% in 2021-22. However, the COVID-19 pandemic has severely impacted the Indian economy, leading to a contraction in GDP growth rate by 7.7% in 2020-21. The Indian government has introduced several measures to revive the economy, including the 'Atmanirbhar Bharat Abhiyan' which aims to promote local manufacturing and reduce dependence on imports. However, foreign policy strategies aim to help India respond to external problems while staying on top of fast-changing international trade infrastructure and to make trade a major contributor to the country's economic growth and development.

Objectives of India's Foreign Trade Policy:

- India's Foreign Trade Policy boosts a country's revenue by promoting exports, which helps in improving the country's balance of payment.
- It promotes national development and economic growth.
- Make the most of global market prospects by accelerating economic activity.
- Encourage stakeholders to aim for worldwide quality standards in order to create jobs.
- Provide access to raw materials, components, intermediates, consumables and capital goods to support long-term economic growth.
- Provide high-quality consumer goods at a fair price.
- India's agriculture, industry and services sector should be strengthened.

Role of Foreign Policy in Economic Development:

India's foreign policy has a crucial role in the country's economic development, as it provides the framework for the country's interactions with other nations. The country's foreign policy is aimed at promoting national interests, enhancing the country's security and creating a conducive environment for economic growth. India has traditionally pursued a foreign policy that emphasizes non-alignment, regional cooperation and multilateralism, which has helped the country to maintain strong diplomatic relations with many countries across the globe. However, there is still significant scope for further improvement. And there are several ways in which foreign policy can contribute to India's economic development, including.

Enhancing Trade and Investment

Foreign policy plays a critical role in promoting trade and investment between nations. India's foreign policy must be geared towards fostering economic ties with other nations, encouraging foreign direct investment and increasing exports. For instance, the government could promote policies that make it easier for foreign investors to invest in India, such as reducing bureaucratic red tape and offering tax incentives. Similarly, India could seek to expand its export markets by negotiating trade agreements with other nations.

Developing Infrastructure:

Infrastructure development is a critical component of economic growth, and foreign policy can help India to develop its infrastructure. Foreign policy can help in attracting foreign investment in infrastructure projects, as well as securing technological and financial assistance from other countries. For instance, the government could seek to establish collaborations with other countries in the areas of transportation, energy, and communication.

Strengthening Bilateral Relations:

India's foreign policy must be aimed at strengthening bilateral relations with other countries, particularly those that are crucial for economic growth. The country must focus on building closer ties with the United States, Japan, China and other developed nations. These countries are important trading partners for India and can provide technology and financial support to the country.

Promoting Human Resource Development:

Human resource development is an essential aspect of economic growth and sustainable development, and foreign policy can play a vital role in promoting it. The government could establish partnerships with other countries to promote the exchange of students, scholars and professionals. This would help in developing the skills and knowledge of the country's workforce and would lead to increased innovation and productivity.

Suggestions:

- India needs to simplify its regulations to attract foreign investment. The government should create a stable and predictable regulatory environment that is conducive to foreign investment.
- Inadequate infrastructure has been a significant impediment to economic growth in India. The government should focus on improving infrastructure such as roads, airports and seaports to facilitate trade and investment.

- India should strengthen its diplomatic relations with other countries to promote trade and investment. The government should explore new markets and create a conducive environment for foreign companies to invest in India.
- Technological advancement plays a critical role in promoting economic growth, India should focus on enhancing its technological capabilities to improve its competitiveness in global market.

Major Expectation From FTP 2022-2027

International trade was severely harmed by covid-19 in April 2020, India's exports decreased by a record 60%, while imports were fell down by 59% and the path to recovery remains lengthy and difficult. As a result, the new FTP must deliver on its promises to improve Economic Growth. The FTP 2022-2027 at its formulation stage has received inputs from Members of Parliament, Officials, Traders, Exporters, etc. Some major expectations from the FTP 2022-2027 that continues to be the need of the hour are:

WTO-Compliant Tax Incentives:

The announcement of the Remission of Duties or Taxes on Export Products (RoDTEP) scheme has been launched by the DGFT in that regard, to replace the MEIS and the same has come into effect from Jan 01, 2021. This multi-sector, WTO-compliant scheme is intended to provide refund hitherto non-refundable duties and taxes including-

1. Central and State Excise Duty on fuel for transportation of export goods like; Petrol, Diesel, CNG, PNG etc.
2. Coal cess or duty levied by states on electricity consumed for manufacturing of export goods.
3. Mandi tax levied by APMCs
4. Toll tax and stamp duties on import-export documentation.
5. Value added tax (VAT) wherever applicable
6. The refunds on the said taxes and levies will be provided as a percentage of the FOB value of the exported goods.

Upgrade of Infrastructure:

By updating the infrastructure such as existing ports, warehouses, quality testing and certification centers, manufacturing and developing new ones, India can be a largest exporter of the world. The trade infrastructure for export sector was started in 2017 for a three years period with the goal of constructing infrastructure to promote and extension of exports. India should learn from its neighbor country such as China's network of ports, motorways and high-speed trains etc, which are the greatest in the world. That's why it is a manufacturing and export powerhouse.

Export Awareness:

Indian exporters are sometimes thwarted not by a lack of trade prospects, but by a lack of awareness of those opportunities. Government workshops and awareness programs can be included in the Trade Policy to educate and inform traders about international rules and standards, global markets, intellectual property rights and geographical indications.

Digitization and e-commerce:

India requires innovative trading procedure as a result of Covid-19 breaking old supply channels Overall, digitization and e-commerce have transformed the business landscape by enhancing efficiency, expanding market reach, and improving the overall customer

experience. These trends are expected to continue shaping the future of commerce and drive further innovation in the digital economy. Digitized information can be accessed anytime and anywhere, enabling seamless sharing and collaboration among individuals and organizations across the globe. Digital data can be easily indexed and searched, allowing for quick retrieval of specific information. E-commerce enables businesses to reach a global customer base without the limitations of physical locations, opening up new markets and opportunities. E-commerce platforms can collect and analyze customer data to offer personalized recommendations and targeted marketing campaigns, enhancing the shopping experience.

Conclusion:

India's foreign policy is an essential component of the country's economic development. There are several ways in which foreign policy can contribute to the country's economic growth, including enhancing trade and investment, developing infrastructure, strengthening bilateral relations and promoting human resource development. The government must prioritize the areas and pursue a foreign policy that is geared towards economic growth. By doing so, India can achieve its full economic potential and become a leading economic power in the world.

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