

**Indian
Economy
1950 - 1990**

CLASS – 11

ECONOMICS

Indian Economy Development

**CH-2 : Indian Economy
1950 – 1990**

Part – 5

Policy making for Trade sector

Vaishnavi Agrawal

OVERVIEW



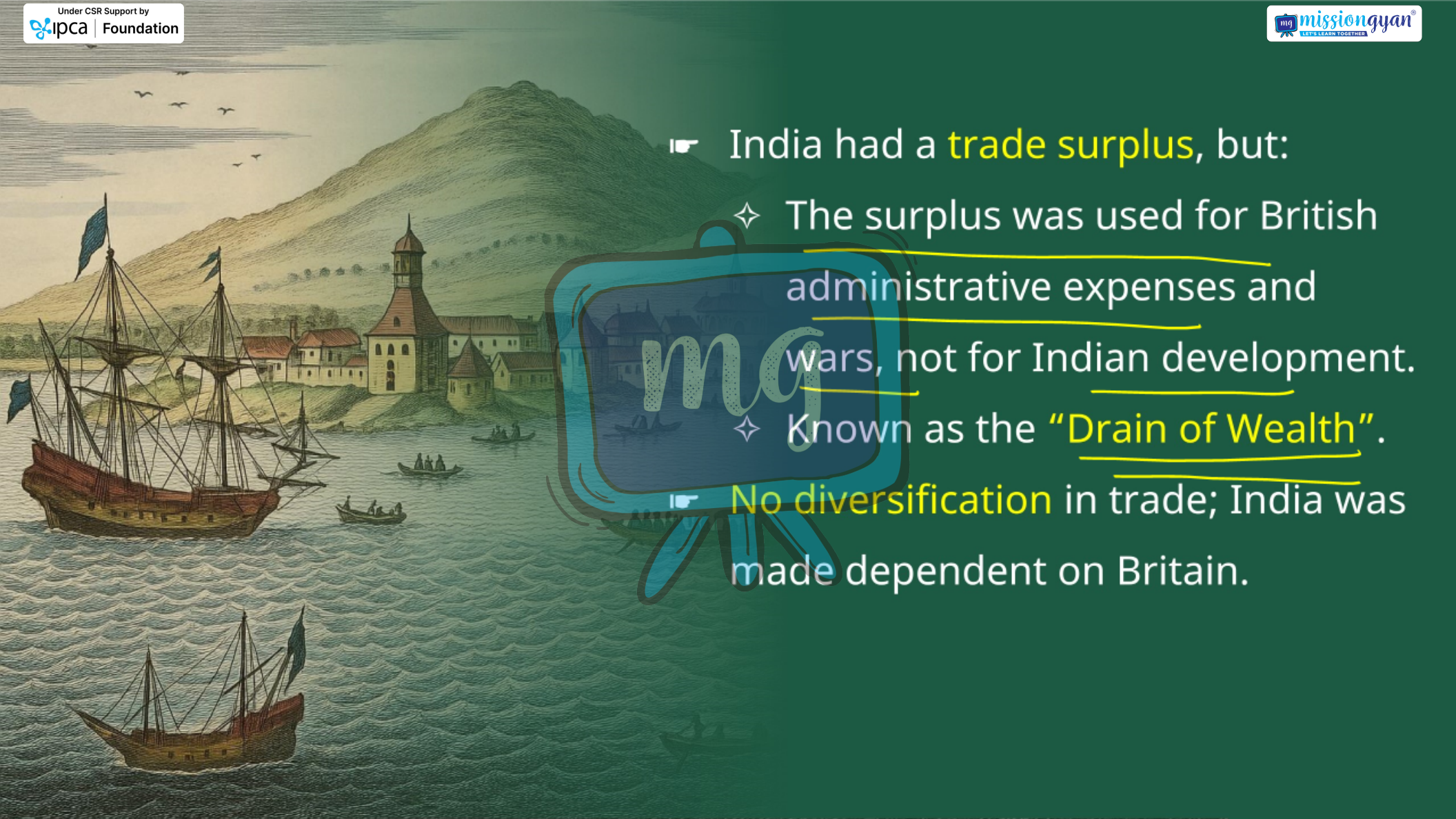
Indian Economy 1950 - 1990

1. Economic Planning in India after Independence
2. Objectives of Planning Commission India
3. Policy making for Agriculture sector
4. Policy making for Industry and Trade sector

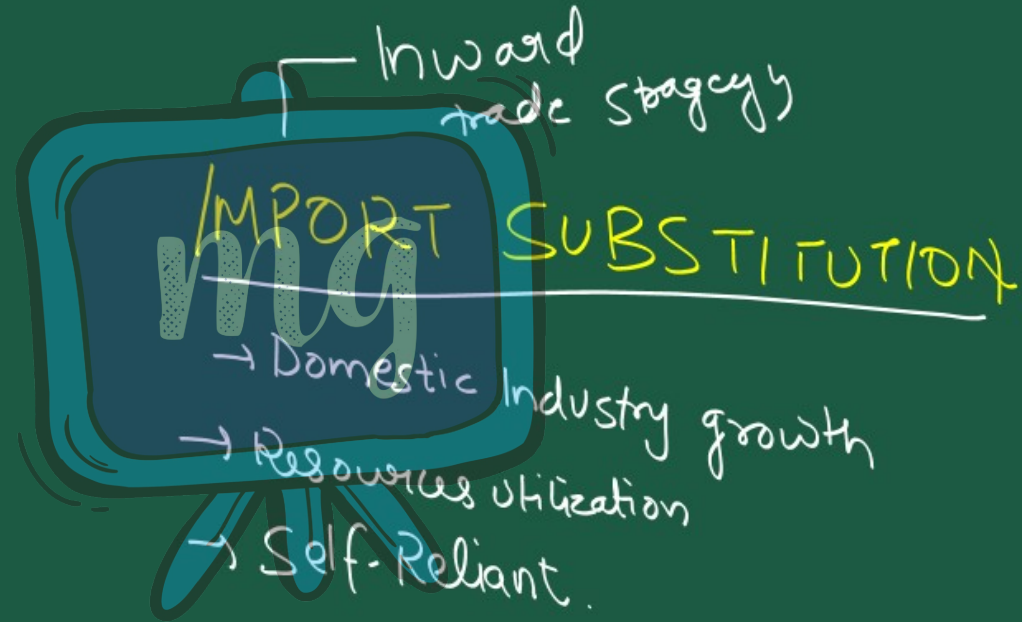
FOREIGN TRADE

Foreign Trade

- Colonial pattern of trade:
 - India exported raw materials (cotton, jute, indigo, spices).
 - Imported finished goods from Britain (textiles, machinery).
- This destroyed domestic industries and artisans.



- India had a **trade surplus**, but:
 - The surplus was used for British administrative expenses and wars, not for Indian development.
 - Known as the "**Drain of Wealth**".
- No diversification in trade; India was made dependent on Britain.




TRADE POLICY : IMPORT SUBSTITUTION

- Inward looking trade strategy.

- In 1950, India's share in the total world trade was 1.78%.

- In order to be self-reliant in vital sectors, India has followed the strategy of replacing many imports by domestic production.

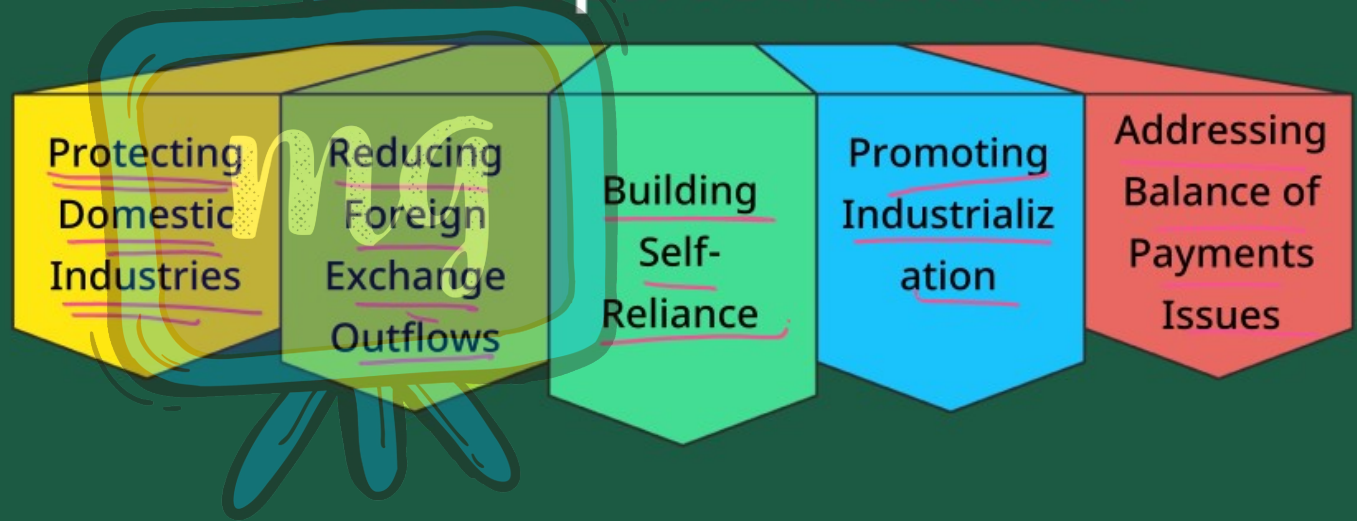


■ Import substitution refers to a policy of replacement or substitution of imports by domestic production.

■ The policy of Import substitution can serve 2 definite objectives:


- ✦ Savings of precious foreign exchange
- ✦ Achieving self-reliance

Need of Import Substitution

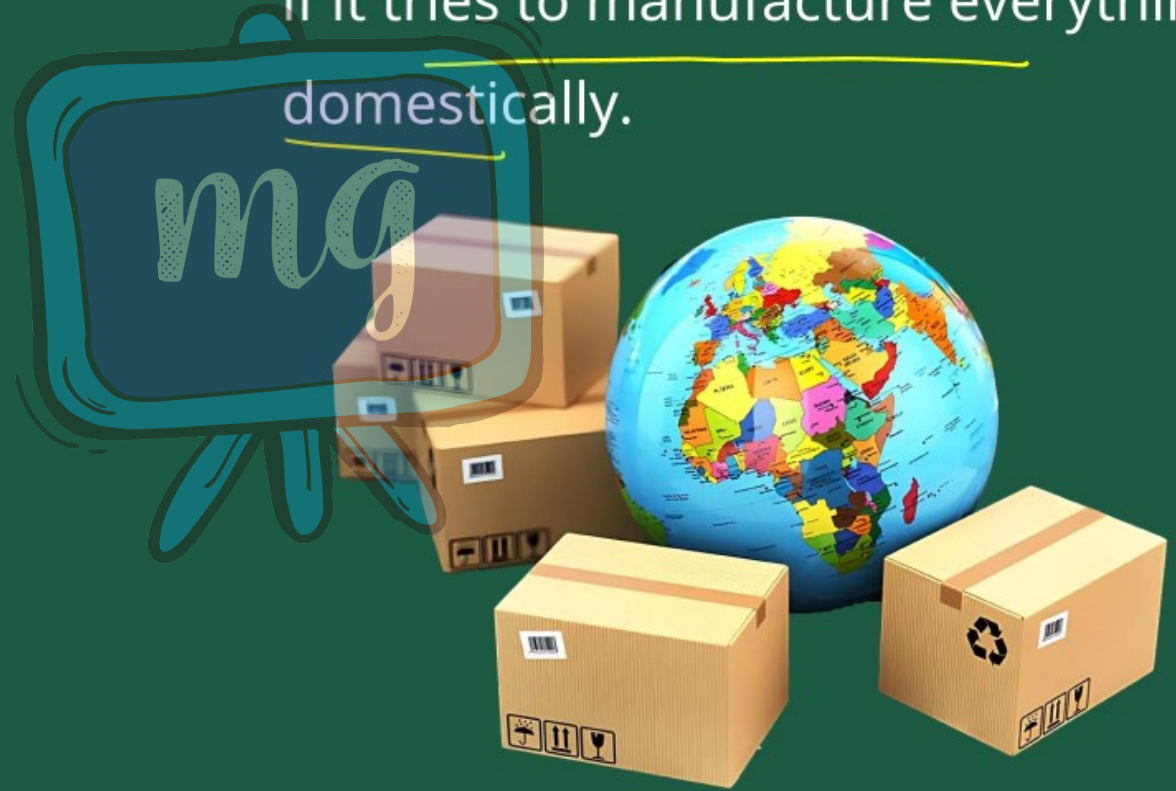


DRAWBACKS OF IMPORT SUBSTITUTION

- ▮ The policy of import substitution encourages production of goods for domestic consumption only and prohibits sale to other countries.
- ▮ It can cause loss of money due to absence of world trade.

- 
- Some domestically manufactured products can be more costly (due to scarcity of some resources) in the country, while at the same time, they can be imported at a cheaper rate from other countries.
 - Due to the lack of competition, the inefficiency in the domestic industries might decrease.

- ▮ The economy can be less productive if it tries to manufacture everything domestically.



LEARNING OUTCOME



ASSESSMENT

1

Which trade policy was used by India in 1950?

☒ A

Export substitution

☒ B

Import Substitution

☒ C

Imports Promotion

☒ D

No new policy was adopted

ASSESSMENT

2

What was the need of Inward looking
trade strategy?

- ☐ A Protecting Domestic Industries
- ☐ B Reducing Foreign Exchange Outflows
- ☐ C Building Self-Reliance
- ☒ D All of the above