

## PREFACE

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The role of the external sector in the development strategy has undergone a radical change as the Indian economy evolved from one that turned inward in pursuit of self reliance into an emerging growth centre with openness as its characteristic. Planned development in India has so far proceeded on the basic philosophy of the Mahalonobis two-sector model that under-pinned the Second Plan, although further refinements have been added in successive models developed for the Fourth and Fifth Plans. The Mahalonobis model stresses the importance of building up an entire structure of capital goods indigenously, with a view of maximizing the long run growth of income. Government control on economic activity, especially protection from foreign competition, is necessary for seeing the country through this period because free competition, is necessary for seeing the country through this period because free competition would allocate resources according to existing levels of demand, which cannot be totally planned in a mixed economy. However over a period import-substitution although led to a high cost economy, as reflected in declining productivity across a number of industries (Ahluwalia 1985). With the realisation of the drawbacks of the excessively inward-looking trade strategy on the one hand and the need for modernisation. The strategy of progressive liberalisation of external sector is the locomotive of growth and a step in the direction of greater integration of the Indian economy with the rest of the world. In the following chapters a review of India's trade performance over the period 1960-61 to 1995-96 reveals the influence of variety of factors – both external and internal.

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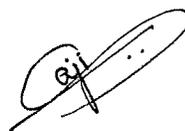
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