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**DRG Study No. 41- Trade Policy and Manufacturing Performance:
Exploring the Level of Trade Openness in India's Organised
Manufacturing in the Period 1990-2010**

The Reserve Bank of India today released on its website the DRG study* titled, "[Trade Policy and Manufacturing Performance: Exploring the level of Trade Openness in India's Organised Manufacturing in the period 1990-2010](#)". The study is authored by Dr. Deb Kusum Das, Department of Economics, Ramjas College, University of Delhi.

The study covers the organised manufacturing sector and use-based sectors of organized manufacturing during the period 1990-91 to 2009-10.

The study contributes to the existing literature in several respects by documenting the level of trade liberalization at the level of individual sectors of manufacturing using explicit measures of trade policy orientation. The impact of trade openness on manufacturing performance is examined *via* a panel data econometric modeling of trade-industrial productivity linkage alongside incorporating other policies - industrial and macroeconomic environment.

Major findings of the Study

- The study observed that removal of restrictions in trade, in terms of lowering of tariff barriers and dismantling of import licensing regime, has been substantial since 1990-91 but the gain in terms of import penetration has not been of the similar order.
- Trade protection measured by nominal import tariff as well as effective rate of protection (ERP) was brought down substantially in the 1990s. Non-tariff protection (NTB) got almost halved by 1992-93 and become less than 10 per cent by the beginning of 2000-01.
- At the level of manufacturing, the change in import penetration rates show a near doubling within 20 years from around 9.7 per cent in 1990-91 to around 18 per cent by the end of 2009-10. At the sectoral level, capital goods sub-group of manufacturing saw faster reduction in ERP as well as NTB during 1990s compared to intermediate & consumer goods.

The study concludes that there is a need to address issues which can further magnify the benefits of trade and industrial policy reforms such as easing of supply constraints and appropriate policy changes to remove transport bottlenecks, power shortages, erratic supply of energy (water and electricity) and labour regulations.

*: *Development Research Group (DRG) has been constituted in Reserve Bank of India in its Department of Economic and Policy Research to undertake quick and effective policy-oriented research backed by strong analytical and empirical basis, on subjects of current interest. The DRG studies are the outcome of collaborative efforts between experts from outside Reserve Bank of India and the pool of research talent within the Bank. These studies are released for wider circulation with a view to generating constructive discussion among the professional economists and policy makers. DRG Studies are published in RBI web site only and no printed copies will be made available.*