

Role of Foreign Trade in Economic Growth: Challenges and Opportunities

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Abstract

Modern day economies are all open economies; i.e., every country cultivates and promotes economic relations with the rest-of-the-world. Economic isolation and self-sufficiency are things of the past; instead global division of labour is the rule. In face of on-going Information-Technology revolution the world is becoming only a global village. This again underlines the fact that the economic welfare of a country depends as much upon the external environment that a country faces as upon domestic policy changes. A major component of the external sector is foreign trade. We begin the present unit with an understanding of the role of foreign trade in a country's economic growth. We will also examine subsequently in the same unit the changing structure of India's foreign trade and its implications for India's growth process.

Keywords: Foreign Trade Policy, Economic Growth, Industry Associations and Export Promotion Councils, EPCG Scheme, WTO, SAARC

1. Introduction

India was to unveil the Foreign Trade Policy 2021-2026. The existing policy was extended by a year due to Covid-19, which was to end on March 31. And the government decided to further extend it for 6 more months. The current policy will now be valid up to September 30. The foreign trade policy (FTP) outlines government strategies and steps to promote domestic production and exports with the objective of driving economic growth. It remains to see how the new policy gets affected after India battles the second wave of the pandemic. The new policy is eagerly awaited as the economy continues to reel from the effects of the pandemic and disruptions to international trade caused by lockdowns and restrictions worldwide. The UN [World Economic Situation and Prospects](#)

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