DOWNLOAD PDF FINANCIAL LIBERALIZATION AND ITS IMPACT ON DOMESTIC STABILIZATION POLICIES

Chapter 1 : KCG - Portal of Journals

The recession was an outcome of their domestic stabilization policies. Singapore, which developed towards an international financial centre, had to assure the "quality" of its domestic currency in order to overcome the regulatory and fiscal advantages of Asian dollar deposits.

Inappropriate policies have contributed to the rundown of the refineries and serious shortages of petroleum products in the domestic market. The report notes that inefficient public companies have been supported by grants and other legal and commercial advantages, including those operating in telecommunications, electricity, petroleum refining, chemicals, coal and bitumen production and steel and aluminium production. Railways and the banking sector are emerging from near total collapse. These inefficiencies have, over time, seriously handicapped other sectors and imposed high costs on the economy. In contrast, the food, beverages and textile industries appear to have benefited from trade liberalization and the absence of government intervention. Private participation in maritime and air transport has also contributed to a certain degree of restructuring and modernization. In order to improve the economic environment, Nigeria has since relied more closely on the market to allocate foreign exchange, and liberalized the foreign investment regime. Much needed foreign investment outside the oil sector is however unlikely to expand before Nigeria regularizes payments, including mounting arrears, on its external public debt with the Paris Club of official creditors. A new seven-year tariff reform programme was also introduced in , but tariff stability has been reduced by tariff changes made every year since. The report suggests that Nigeria would enhance its tariff predictability if it bound its tariffs closer to the applied rates. Currently, the applied duties average Although recourse to quantitative restrictions on imports has been reduced, Nigeria still bans imports of such products as maize, sorghum, millet, wheat flour, vegetables and plastic articles. Nigeria also enforces a ban for health reasons on all types of meat. Import prohibitions have been the subject of several consultations in the Balance-of-Payments Committee of the WTO, which has repeatedly sought their elimination. Petroleum products are imported under import licences attributed exclusively to a public company. Following complaints of inefficiency from the private sector, the Government has recognized the need to reform several trade-related activities such as customs, preshipment inspection PSI , ports and clearing systems. Sofar, however, reforms have been uneven. PSI for example, has been eliminated for imports from several but not all countries. Recognizing that improvements in economic conditions, a precondition for export expansion, require a reduction in the dominant role of the public sector, the authorities have announced a privatization programme in In this context, legislation on competition policy may be needed to ensure that public enterprises are not merely replaced by private monopolies. Concerns expressed during the last Trade Policy Review in about the enforcement of intellectual property rights in Nigeria persist, particularly in the patent and trade mark areas. In an effort to address those concerns, and combat fake, expired or otherwise dangerous products, the Government has amended the relevant statutes, established a special task force, and introduced import registration and licensing requirements. The report concludes that Nigeria is currently at a crossroads in its economic and trade policies. While steps have been taken toward trade and investment liberalization and macroeconomic stabilization, policy priorities remain divided between dependence on the public sector and import substitution strategies on the one hand, and greater reliance on the private sector and market-based reform on the other. Since the WTO came into force, the "new areas" of services trade and trade-related aspects of intellectual property rights are also covered. Full reports are available for journalists from the WTO Secretariat on request. Since December , the following reports have been completed: The present military government has recently given priority to improving macroeconomic management, and re-launched efforts to liberalize the foreign exchange and investment regimes. However, concerns remain about tariff changes and the use of quantitative restrictions. A wide array of export incentive schemes has failed to offset the anti-export bias resulting from the import regime, cumbersome export procedures, and failing infrastructure.

During the s, the commitment to structural reforms weakened and economic growth has slowed to an average of 2. After a period of stagflation up to , growth increased and inflation declined, helped by a sound macro-economic policy stance and an increase in world oil prices until Efforts to maintain both economic growth and the fiscal balance could therefore be jeopardized by the current weakness in oil prices. The high level of external public debt and the continuing accumulation of arrears remain important obstacles to much needed foreign investment outside the oil sector, notably in infrastructure. Since , access to foreign exchange at close to market rates and the lifting of most restrictions on current and capital transfers have significantly improved the trade and investment environment. However, several foreign exchange documentary and approval requirements remain and have the potential to restrict imports. Eliminating those requirements, together with the unification of the exchange rates and full reliance on market forces for foreign exchange would provide a more secure business environment. In , Nigeria was the 34th largest exporter and 43rd largest importer worldwide. Furthermore, it is the third largest trading nation in Africa. Crude oil is the only significant recorded export, shipped mostly to the Americas and Western Europe. Petroleum products constitute a major import. The greatest falls in imports have been recorded in machinery, notably transport equipment, and clothing. The United States, the United Kingdom and Germany remained the three most important recorded sources of imports. This recorded trade, however, excludes prolific informal commerce with neighbouring countries. Executive authority is vested in the Head of State and exercised in consultation with the Provisional Ruling Council. Legislative changes, including those concerning trade and investment, are made by decrees signed by the Head of State. The current opaque constitutional arrangements and reliance on decrees have weakened the rule of law, increased the risk of doing business in Nigeria and, thus, discouraged investment and trade. A Constitutional Conference established in has prepared a Draft Constitution, to be adopted by a National Assembly elected in April Most restrictions on foreign investment and related payments have been abolished. The exceptions are those on mineral resources, which remain under the property and control of the State. Competition and privatization have recently been emphasized for trade in services, notably in telecommunications and financial services. The latter have been the subject of ambitious liberalization commitments under the GATS. However, most public companies remain supported by grants and other legal and commercial advantages that may discourage competing foreign direct investment. Since , the Government has created a number of committees to help formulate economic policy. The Committee concluded that improvements in economic conditions would require a reduction in the dominant role of the public sector in the economy, the development of a viable and dynamic private sector, and foreign investment, as well as economic stability and social justice. Government monopolies in telecommunications, electricity, petroleum refining, chemicals, coal and bitumen production and tourism development would be privatized in the first phase of the programme. The effective implementation of that programme would help to attract foreign investment and improve the generally low level of efficiency in these sectors. Trade policy instruments and their effects Import liberalization undertaken in significantly reduced tariff rates and reliance on quantitative restrictions. Only ad valorem tariffs are used. Applied duties average The highest levels of duty are levied on consumer goods, with lower rates on intermediate and capital goods. Import duties are subject to annual changes. Few industrial tariffs are bound 6. Nearly two thirds of VAT revenue is collected on imports. Although since many items have been removed from the Import Prohibition List, prohibitions continue to distort trade patterns and stimulate smuggling activities, whilst depriving the Government of tariff revenue. Items removed from the Import Prohibition List included textiles and clothing, furniture, poultry, certain beverages and motor vehicles; other items have been added. The list currently includes maize, sorghum, millet, wheat flour, vegetable oils, bentonites, barytes, gypsum, kaolin, plastic articles, retreaded and used tyres, mosquito repellant coils and gaming machines. In addition, an Absolute Prohibition list covers weapons, certain spirits, obscene articles and second-hand clothing. According to the Federal Ministry of Agriculture, imports of all types of meat are also banned for health reasons. B on restrictions for balance-of-payments reasons in Nigeria at that time proposed the elimination of all such measures by early At the latest consultation in February , covering prohibitions on maize, vegetable oils, barytes and bentonites, and plastic articles, Nigeria presented a five-year phase-out programme for remaining restrictions; however, the consultation closed without agreed conclusions, with Members stressing once again the inconsistency of the measures with WTO rules. In March , Nigeria notified the WTO Committee on Safeguards that the import prohibitions on wheat flour, sorghum, millet, gypsum and kaolin were in place for safeguard reasons. The multiplicity of import documents and of agencies involved has been recognized as an unnecessary complication for importers. Several agencies operating at the ports also appear to impede trade flows: Reforms to address these problems have begun in areas such as customs and port clearance. Following complaints from the private sector of inefficiency, the Government has reduced the number of countries for which preshipment inspection PSI of imports is required. Until PSI is eliminated for imports from all countries, however, import conditions will differ across trading partners. Elimination of PSI may reduce paperwork and import costs. More importantly, however, it will reinforce the importance of an accountable customs administration. Public procurement is of great importance both for trading partners and for the Nigerian economy, as about half of all public expenditure on goods and services is sourced in foreign markets. However, little information was available on the specific procurement regime in place. Several incentives exist for the use of local raw materials, but their incidence appears to be relatively marginal. In contrast, the Drug Revolving Fund Scheme, recently established to achieve self-sufficiency in medical drug production, has encouraged sizeable domestic investments. Exporters remain handicapped by cumbersome administrative procedures designed more to ensure the repatriation of export proceeds than to encourage export expansion. It would appear that no specific competition policy exists to ensure market efficiency, an important issue given the presence of several public monopolies. The establishment of strong pro-competition rules is necessary to ensure that the current privatization drive does not merely replace public with private monopolies. Concerns expressed during the last Trade Policy Review about the enforcement of intellectual property rights in Nigeria persist, particularly in the patent and trade mark areas. Also to combat fake, expired or otherwise dangerous products, imports of food, beverages, tobacco, chemicals and pharmaceutical products have been made subject to stringent registration and licensing requirements. Sectoral Policy Patterns Nigeria continues to exhibit the features of a dual economy, with a relatively dynamic oil export sector contrasting with sluggish growth in the rest of the economy. A host of policy instruments are applied to the downstream petroleum sector, including state trading, import licensing, exclusive import rights, administered pricing, as well as restrictions on foreign commercial presence and sizeable producer and consumer subsidies. As a result, there are serious shortages of petroleum products on the domestic market. In contrast, relatively little direct government assistance has been provided to agricultural production and exports. Import prohibitions do cover some main staples, however. Furthermore, a variety of agricultural exports, of which Nigeria could become a significant exporter, have been or remain prohibited to encourage local processing or satisfy domestic demand. The lifting of the export ban on cassava tuber and products in was followed by a substantial increase in production, suggesting that the other prohibitions could be advantageously eliminated. In the manufacturing sector, the food, beverages and textile industries appear to have benefited from trade liberalization and the absence of government intervention. In contrast, strong public sector involvement in capital-intensive industrial projects, including large ventures in steel and aluminium production, has been associated with construction delays, budget overruns, low capacity utilization, high costs, lack of working capital and, in many cases, plant closures. Service activities have in general stagnated; railways and the banking sector are emerging from near total collapse.

Chapter 2 : Economic liberalization - Wikipedia

BERICHTE- REPORTS Financial Liberalization and Its Impact on Domestic Stabilization Policies: Singapore and Malaysia By Emil-Maria Claassen.

Economic liberalization refers to a country "opening up" to the rest of the world with regards to trade, regulations, taxation and other areas that generally affect business in the country. As a general rule, you can determine to what degree a country is liberalized economically by how easy it is to invest and do business in the country. The economic liberalization process begins by relaxing these barriers and relinquishing some control over the direction of the economy to the private sector. For related reading, see: Unrestricted Flow of Capital The primary goals of economic liberalization are the free flow of capital between nations and the efficient allocation of resources and competitive advantages. This is usually done by reducing protectionist policies such as tariffs, trade laws and other trade barriers. One of the main effects of this increased flow of capital into the country is it makes it cheaper for companies to access capital from investors. A lower cost of capital allows companies to undertake profitable projects they may not have been able to with a higher cost of capital pre-liberalization, leading to higher growth rates. We saw this type of growth scenario unfold in China in the late s as the Chinese government set on a path of significant economic reform. With a massive amount of resources both human and natural , they believed the country was not growing and prospering to its full potential. Thus, to try to spark faster economic growth, China began major economic reforms that included encouraging private ownership of businesses and property, relaxing international trade and foreign investment restrictions, and relaxing state control over many aspects of the economy. Stock Market Performance In general, when a country becomes liberalized, stock market values also rise. Fund managers and investors are always on the lookout for new opportunities for profit, so a whole country that becomes available to be invested in tends to cause a surge of capital to flow in. The situation is similar in nature to the anticipation and flow of money into an initial public offering IPO. However, like an IPO, the initial enthusiasm also eventually dies down and returns become more normal and more in line with fundamentals. Political Risks Reduced In addition, liberalization reduces the political risk to investors. For the government to continue to attract more foreign investment, other areas beyond the ones mentioned earlier have to be strengthened as well. These are areas that support and foster a willingness to do business in the country, such as a strong legal foundation to settle disputes, fair and enforceable contract laws, property laws, and others that allow businesses and investors to operate with confidence. Also, government bureaucracy is a common target area to be streamlined and improved in the liberalization process. What risks do organizations face when engaging in international finance activities? Diversification for Investors Investors can also benefit by being able to invest a portion of their portfolio into a diversifying asset class. In general, the correlation between developed countries such as the United States and undeveloped or emerging countries is relatively low. However, a distinction should be made that although the correlation may be low, when a country becomes liberalized, the correlation may actually rise over time. This happens because the country becomes more integrated with the rest of the world and becomes more sensitive to events that happen outside the country. A prime example of this is the European Union EU and its unprecedented economic and political union. The countries in the EU are so integrated with regard to monetary policy and laws that a crisis in one country has a high probability of spreading to other countries. This is exactly what happened in the financial crisis that started in Weaker countries within the EU such as Greece began to develop severe financial problems that quickly spread to other EU members. The Bottom Line Economic liberalization is generally thought of as a beneficial and desirable process for emerging and developing countries. The underlying goal is to have unrestricted capital flowing into and out of the country to boost growth and efficiencies within the home country. Trading Center Want to learn how to invest? Get a free 10 week email series that will teach you how to start investing. Delivered twice a week, straight to your inbox.

Chapter 3 : WTO | Trade policy review - Nigeria

Financial liberalization and its impact on domestic stabilization policies: Singapore and Malaysia Financial Systems and Financial Regulation in Dynamic Asian.

Its main objective is to restore sustained high growth to alleviate poverty and raise the standard of living. Changes in the policy packages towards deregulation, liberalization and opening up of the economy were initiated in the late 70s and early 80s but it was not until that major economic reforms were undertaken. However these measures of stabilization are not by themselves enough. The main impetus for sustainable economic growth has to originate with efficiency and productivity growth brought about through the expansion of investment and exports. Another important aspect to be considered is the large number of people in the country living on the poverty line. To make any reform process socially acceptable a poverty alleviation programme must be in. In the context of resource constraints, a serious thinking has to be done as to the extent and pace of economic reforms. India has to go through a painful period of adjustment before the liberalization can have its fruitful impact upon the economy. In liberalizing the economy the government must not forget to protect the poor and the needs of human development. The domestic economy has now reached a threshold where for better utilization of resources the benefits of the market forces can be harnessed, by proper market-friendly macro and micro- economic policies helping both in higher growth and more equity. This has initiated a serious debate in the country on our development strategy for opening up the economy and allowing more market orientation, by removing major Government interventions and regulations. Since , and specially after , the Government has embarked upon a series of economic reforms leading towards liberalization and deregulation Subsequently, there has been a significant improvement in the growth rate of the country-from the long existing, low rate of income growth of 3. As noted, the changes in the policy packages towards deregulation, liberalization and opening up of the economy had been initiated in the late 70s and early 80s. These changes were not systematic and were never integrated into an overall framework. According to many economists, these changes were rather slow but not monotonic, until July when the new Congress Government came to power. Since then the change in the policy packages have picked up momentum. There have been major changes since July It has further extended the liberalization policy started in In its and budgets, the government has brought along with almost simultaneous changes in trade and finance announced outside the Budget. It involves taking every step necessary to ensure that the burden of adjustment is fairly distributed and that the very poor are protected. As a first step in this direction the Government has established a National Renewal Fund to provide social safety net. In this context, the Government intends to pursue a. But this is an initial phase. Stabilization by itself is not enough. As traditional demand impulses originating from fiscal policy will remain constrained in the next two to three years, the main impetus for sustainable economic growth has, to originate with efficiency and productivity growth brought about through the expansion of investment and exports. Under-pinning such a path of growth must be a consistent and comprehensive structural reforms strategy designed to promote exports, to improve the relationship between the return on investment and the cost of capital, and to increase the degree competition between firms in the domestic and external markets so that there are adequate incentives for upgrading the technology, improving efficiency and reducing costs. Reducing the overall public sector budget will require increased financial discipline by the State Government as well, and the Central Government will encourage the State Government to take steps to improve their fiscal performance and to streamline the working of the enterprises. In this context a comprehensive tax reform is proposed. In this context also, the need for rationalization and reduction of subsidies and for moving to a more objective system of administered price has been emphasized. Regarding exchange rate policy it emphasized the adjustment of exchange so as to provide a significant real depreciation, to improve export incentives and international competitiveness. In this context the Government intended to keep the nominal exchange rate stable by a suitable fiscal and monetary policy. In the immediate future, to achieve stabilization. Government visualizes a tightening of credit and monetary policies, free higher interest rates and higher cash reserve ratios. It also proposes, by declining the recourse to financial savings the Government, a larger volume of supply of domestic credit to the private sector. The Government recognizes that trade reform is an essential element securing supply response to facilitate the overall restructuring of the economy and to restore external payment viability. The Government also recognizes that the temporary restriction on import which had to be imposed by the Reserve Bank of India no to be relaxed. The Government recognized that a major restructuring of Indian economy, implied by its agenda, will very much depend on the success of its industrial policy reforms. In this context a large number of sick firms which constitute drain on the Government budget, with their unpaid outstanding loans, weaken the financial system, in many cases with the firms closing down leaving their creditors unreimbursed, have to be taken care of. The Government is aware that the prerequisite of having a safety net or social insurance scheme is to provide support for displace workers in the organised sector. It initiated major changes, including comprehensive deli censing, abolition entry controls related to the MRTP Act and automatic approval of foreign technology agreements and foreign investments, among others. The changes policies concerning foreign technology and foreign investment will enable Indian industries to forge much more with foreign investors and suppliers of technology than has been possible in the past. However, there are weaknesses and imbalances. The statutory liquidity ratio and cash reserve ratio levels are high, which implies low return for commercial banks on their funds. This reduces the reserves available to non-priority borrowers and raises their costs in moving to market based operations of the financial institutions. Measures have been taken to strengthen the capital markets, the rates for debentures have been freed, and mutual funds have been opened to the private sector and the full statutory powers are to be given to independent agencies to regulate security markets. The high level Narasimham Committee had been established to review the structure. In line with the recommendations of the Narasimham Committee further reforms of the financial sector will be formulated to increase the efficiency of the financial intermediation. The measures required to meet these objectives would particularly involve a phased reduction of priority lending schemes towards the targeted deserving groups and eventual elimination of the subsidies involved, formulation of prudential norms and standards to guide efforts in recapitalization of the banking sector and full decontrol of deposit rates. Public enterprises provide many of the basic and critical inputs in India. It is a matter of serious concern that inadequate attention has been paid to improving their efficiency. In the context of public enterprise structuring it will be important to assess the social cost involved, with the closure of sick units, and to develop options and measures for compensation of retrenched labour. Enterprises in areas judged appropriate for continued public sector involvement will be provided with greater degree of managerial autonomy along with a progressive reduction in budgetary transfers and loans. Sale of selected firms or partial divestment for specific sectors is being increasingly, pursued. The Government recognizes that adjustment programmes entail significant transitional cost. This cost includes potential loss of output, employment and consumption due to the deflationary impact of fiscal consolidation and frictions in the restructuring process which must be equitably borne by all sections of the society. For this group, the Government is committed to minimise their share of the burden of adjustment. Thus the Government should provide higher outlays on elementary-education, rural drinking water supply, assistance to small and marginal farmers, programmes for women and children, programmes for welfare of scheduled caste and scheduled tribes and the weaker sections of the society, and increased expenditure on infrastructure and employment generation projects in rural areas. Further steps have to be taken to re-allocate social expenditure, particularly in health and education for the poor. Additional cost-effective compensatory programmes, particularly in the areas of nutrition and employment, should be strengthened and broadened. In this context the establishment of a National Renewal Fund has been proposed. Against this backdrop of proposed policy changes, the first set of changes introduced by the Government comprises increasing of taxes and reduction in Government expenditure, in order to reduce the deficit. Simultaneously, there have been adjustments in the exchange rates to make exports more attractive and to control imports to narrow the balance of payment gap. Along with this a tight monetary policy was followed. Subsequent assessments however revealed that these measures were insufficient to reduce excess demand for imports. Consequently, the Government imposed emergency credit restrictions on imports. By introducing all these changes, the Government has been successful in its stabilization attempts to a certain extent. For instance, the foreign exchange reserve has reached Thus a major part of multilateral aid has been used for debt servicing. Thus, the net inflow is still positive. There are differences of opinion as to the potential adverse effect of attaining stabilization by this method. For example, to reduce the gap the contribution of export growth has long term stable implications, but resorting to too much import compression, will affect adversely the possibility of export growth, and may prove to be self-defeating, especially if the import component of non-tradition exports is very high. The budgets further has accelerated the reform process by reducing the deficit to 4. For further reduction in fertilizer subsidy, nothing has been worked out. With regard to the impact of economic reforms on social expenditure and poverty alleviation it is noted that the reforms have affected public expenditure and many of the key social services areas like health, sanitation, water supply etc. It does not mean that there is no scope for economizing these expenditures but it implies that it should be done carefully. Any across the board reduction may be politically and administratively easy but would be harmful to the poor. The essence of the present economic reforms, understandably, is to resort to the market and make price corrections according to the relative scarcity values and rates of returns for all inputs in the productive system. But experience shows that in the long run, when the economy is not growing at a fast pace i. The fall in real consumption per has resulted in a significant increase in the level of poverty ratio and accordingly the number of people below the poverty line. A conservative estimate using Planning Commission methodology and database shows that nearly 6 to 7 Billion people went down the poverty line during this period. This is a contrast with an annual improvement of nearly 10 to 15 million moving above the poverty line over the last decade. Thus overall, it makes a difference in terms of a in the poverty alleviation pace by nearly 20 millions, with reference to the trend values. This scenario has high political and social sensitivity. In order make the reform process morally and socially acceptable and politically feasible, conscious positive programme on poverty alleviation will be needed. The need for such a programme will be more felt if the message is that the present structural adjustment phase will last for more than 3 to 4 years. The economic reform process also breeds a class of "new poor". They are the target groups which can be covered by the National Renewal Fund. In this context it should be noted that already there has been a significant increase in the percent of unemployed. To provide a cushion to the poor against high price increase, the Government uses the Public Distribution System PDS ; however its effectiveness needs to be improved. In West Bengal, for ample, the PDS financed 54 per cent of wheat consumption of the rural highest income groups; 3 the PDS is grossly inadequate, especially in areas with high poverty intensity. The income of the poor is much too low to take advantage even of the PDS; and finally, the whole approach towards impact on the vulnerable section of the society should be reviewed in the light of reduced public expenditure on social programmes. In addition, a poor location programme has its impact not only on the rural wage of the poor but also in the drive for export growth and adoption of better technology, by making the labour force more illiterate. The stabilization package is giving the anticipated results: However, the adequacy of the structural adjustment elements and the growth factors in the stabilization programme of the Government has been questioned by many economists. It is that many of the measures taken are on the soft side, as it does not remove many implicit subsidies. In this context, measures to contain the Government wages bill have not been given proper priority. With regard to taxation, it is felt that even now, the indirect tax rates in India, particularly on imports, are very high compared to other LDCs. Of the measures on adjustment that have bet implemented, almost all are in the Central Government sector; whereas substantial fiscal deficit exists in the States, almost close to that of the Centre of nearly 1. With regard to the cut in the capital expenditure, is rightly realized that there are many wasteful expenditure items in the present composition of public investment.

Chapter 4 : Bangladesh - Trade liberalization : its pace and impacts (English) | The World Bank

Financial liberalization and its impact on domestic stabilization policies: Singapore and Malaysia.

Policy tended towards protectionism , with a strong emphasis on import substitution industrialization under state monitoring, state intervention at the micro level in all businesses especially in labour and financial markets, a large public sector, business regulation, and central planning. Steel, mining, machine tools, water, telecommunications, insurance, and electrical plants, among other industries, were effectively nationalised in the mids. The Indian currency, the rupee , was inconvertible and high tariffs and import licensing prevented foreign goods reaching the market. The labyrinthine bureaucracy often led to absurd restrictionsâ€"up to 80 agencies had to be satisfied before a firm could be granted a licence to produce and the state would decide what was produced, how much, at what price and what sources of capital were used. The government also prevented firms from laying off workers or closing factories. The central pillar of the policy was import substitution , the belief that India needed to rely on internal markets for development, not international tradeâ€"a belief generated by a mixture of socialism and the experience of colonial exploitation. Planning and the state, rather than markets, would determine how much investment was needed in which sectors. The first attempt was reversed in Thereafter, a stronger version of socialism was adopted. The second major attempt was in by prime minister Rajiv Gandhi. The process came to a halt in , though a style reversal did not take place. The government slightly reduced Licence Raj and also promoted the growth of the telecommunications and software industries. Licence owners built up huge powerful empires. State-owned enterprises made large losses. Narasimha Rao and his then-Finance Minister Dr. India started having balance of payments problems since , and by the end of , the state of India was in a serious economic crisis. Most of the economic reforms were forced upon India as a part of the IMF bailout. In return for an IMF bailout, gold was transferred to London as collateral, the rupee devalued and economic reforms were forced upon India. That low point was the catalyst required to transform the economy through badly needed reforms to unshackle the economy. Controls started to be dismantled, tariffs, duties and taxes progressively lowered, state monopolies broken, the economy was opened to trade and investment, private sector enterprise and competition were encouraged and globalisation was slowly embraced. The reforms process continues today and is accepted by all political parties, but the speed is often held hostage by coalition politics and vested interests. The reforms did away with the Licence Raj , reduced tariffs and interest rates and ended many public monopolies, allowing automatic approval of foreign direct investment in many sectors. This specified deregulation, increased foreign direct investment, liberalization of the trade regime, reforming domestic interest rates, strengthening capital markets stock exchanges , and initiating public enterprise reform selling off public enterprises. The Bharatiya Janata Party BJP â€" Atal Bihari Vajpayee administration surprised many by continuing reforms, when it was at the helm of affairs of India for six years, from â€"99 and from â€" The United Front government attempted a progressive budget that encouraged reforms, but the Asian financial crisis and political instability created economic stagnation. But due to pressure from fellow coalition parties and the opposition, the decision was rolled back. However, it was approved in December It has opened up the path for private, foreign investments in the sector, since Indian arms of foreign companies are entitled to bid for coal blocks and licences, as well as for commercial mining of coal. This could result in billions of dollars investments by domestic and foreign miners. The move is also beneficial to the state-owned Coal India Limited, which may now get the elbow room to bring in some much needed technology and best practices, while opening up prospects of a better future for millions of mine workers. The Code creates time-bound processes for insolvency resolution of companies and individuals. These processes will be completed within days. If insolvency cannot be resolved, the assets of the borrowers may be sold to repay creditors. This law drastically eases the process of doing business, according to experts and is considered by many to be the second most important reform in India since next to the proposed GST. Please help improve this article by adding citations to reliable sources.

Unsourced material may be challenged and removed. In service sectors where government regulation has been eased significantly or is less burdensomeâ€”such as communications, insurance, asset management and information technologyâ€”output has grown rapidly, with exports of information technology enabled services particularly strong. In those infrastructure sectors which have been opened to competition, such as telecoms and civil aviation , the private sector has proven to be extremely effective and growth has been phenomenal. His prescription to speed up economic progress included solution of all outstanding problems with the West Cold War related and then opening gates for FDI investment. By , the West would consider investment in India, should the conditions permit. The new incoming government of Dr. Manmohan Singh in further strengthened the required infrastructure to welcome the FDI. Today, fascination with India is translating into active consideration of India as a destination for FDI. It has displaced US to the third position. This is a great leap forward. India was at the 15th position, only a few years back. Challenges to further reforms[edit] For , India was ranked th among countries in Index of Economic Freedom World Rankings, which is an improvement from the preceding year.

Chapter 5 : social work : Liberalization and Its Impact on the Indian Economy

Financial Liberalization and Its Impact on Domestic Stabilization Policies: Singapore and Malaysia.

In July when thedevaluation of Indian currency took place the govt. Though these polices pertained to different aspects of the economic field they had one thing in common. The economic element was to orient the Indian system towards theworld market it is in this context the govt. Liberalization , Privatization and Globalization. Liberalization of the economy means to free if from direct or physical control imposed by the govt. Main objectives of New â€"Economic Policy â€" The main objectives behind the launching of the new â€"economic policy NEP in bythe union finance minister Dr. Manmohansingh, could be stated as follows: The NEP intended to bring down the rate of inflation and to remove imbalances inpayment. It intended to move towards higher economic growth rate and to build sufficient foreignexchange reserves. It wanted to achieve economic stabilization and to convert the economic in to a market economy by removing all kinds of unnecessary restrictions. It wanted to permit the international flow of goods, services, capital, human resources and technology, without many restrictions. Beginning with mid, the govt. Liberalization, Privatization and Globalization The last quarter of the 20th century has been a wave of economic policy reforms in thedeveloping world, with one country after another taking the Liberalization cure, often imposed bythe international financial institutions. This wave of reform had been preceded by a quarter-centuryof state directed effort at economic development, during which time the goals of economic self reliance and import substitution industrialization were the hallmarks of development strategiesin the less developed countries. These goals seemed particularly justified, given the longexperience of these countries with colonialism and the agricultural nature of their economies. However, all this seemed to be overtaken by the subsequent surge of liberalization. The other important aspects of thepolicy are â€"Privatization of the public sector, Globalization and market friendly state. The essence of this policy isthat greater freedom is to be given to the entrepreneur of any industry, trade or business and thatgovernmental control on the same be reduced to the minimum. The main purpose of the process to economic liberalization is to set business free and to runon commercial lines. The underlying helief is that commerce and business are not matter tocontained to fixed national boundaries; they are global phenomena. The liberalization intends to liberalization commerce and business and trade from the clutches of controls and obstacles. The concept of Liberalization: The recent wave of economic policy reform in the developing world has been seen as anecessary consequence of a changed world economic system. The key feature of the changed world economy is the clement of the heightened economic Globalization which provides new external challenges as well as opportunities for development. Following are main features of liberalization. Lessened Government control and freelance to private Enterprises. From the Indian point of view, it is very difficult to say at this stage when the process ofeconomic liberalization taken up by the govt. The process has no doubt brought some benefits through suffers fromsome deficiencies. The Gains The liberalization process has helped the free movement of goods and services it has led tobetter industrial performances. Industrial organizations have now become more efficient andmarket responsive. Sectors such as information technology and computer soft ware here registered tremendous progress. The Deficiencies Liberalization process has its deficiencies also. The economic reforms including liberalization were introduced all on a sudden and proper background was not created to take theirfull advantage and to face their consequences. The first which is evident not only in official govt. The important charecteristics of the new policy may be described and explained under thefollowing four heads liberalization; Privatization of the public sector, Globalization and market friendly state. Liberalization is the thrust of the policy is the freedom for the entrepreneur. The newpolicy permits foreign direct investment to a large extent and in a larger number of Industries then before. Privatization has an adverse impact on the employee morale and generates fear of dislocation or termination more likely it also adds on to the apprehension pertaining to accountability and quality. Experts both advocate and criticize Privatization making it more or lessprovocative decision that calls for diligent scurrying by the decision makers in assessment of prossand cons attached to the concerned policy. In India Privatization has been accepted with a lot of resistance and has been dormant initially during the inception period of economic Liberalization in the country. Thearticle intends to analyze the present status of Privatization in India and summarize its advantagesand disadvantages in context with the Indian economy. Privatization is also one of the aspects ofthe new economic policy which came to take shape in the decade But the broad meaning of Privatization is that in the economic fieldmuch broader role is to be agencies and the role of the public sector activities is to be limited. Privatization refers to any process hat reduces the involvement of the state, public sector ineconomic activities of a nation. The Privatization process in a mixed economy such as of Indiaincludes: Decentralization the transfer of the ownership of productive assets to the private sector. Entry of private sector industries into the areas exclusive reserved for the state sector orwhich are considered exclusive monopolies of state. Limiting the scope of the public sector or no more diversification of existing public sector understandings. Barbara Lee and John Nellis define the concept in this manner: Thus the term refers to private purchase of all or part of a company. It also wants to make the public sector undertakings strong able efficient companies. It also intend to ensure efficient utilization of all types of resources including human resources. Privatization insists on the government to concentrate on the area such as education administration and infrastructure and to give up the responsibility of looking after business and running industries. It is expected to strengthen the capital market by following appropriate trade policies. The issue of Privatization in India has to be understood in the context of â€" the relative inefficiency of the public sector industries, dearth of financial resources, defective competition system, continuous labour problem and so on. When India became independent it embarked upon planned economic development. In order to accelerate the economic development it started giving more important to the publicsector on which the Government had its control. The Industrial Policy Resolution of alsogave importance to the public sector industries. The growth of the public sector assume importance in the Indian economy. It contributed to employment opportunities, capital formation , development of infrastructure, increase in exports over the years, and to many other areas. But itfailed in certain respects. It failed to generate adequate surpluses to support sustained growth. The public sector was also a failure in obtaining consistent profits, fulfilling labour demands and interests, encouraging industrial researches, reducing the cost of the production, achieving technical expertise, and in successfully facing the competition at the hand of the private sector. During the later years of Mrs. Gradually, a new industrial policy started taking its shape. The essence of this policy is marketed forces must be allowed to play their role in shaping the economy. With the announcement of new economic policy on 24th July by Dr.

Chapter 6 : Financial liberalization and its impact on domestic stabilization policies: Singapore and Malaysi

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Public controls over the banking system typically led to negative real interest rates for depositors. Financial repression became an obstacle to domestic savings and their efficient allocation, and financial intermediation languished. Despite the fact that almost all the regions of the world have undergone liberalization of their financial markets, its effect on the performance of different economic sectors remains a question. In our research, we find that financial liberalization reduces the cost of capital, boosting the relative growth rates of economic sectors that for technological reasons rely heavily on external to the firm finance. This result, however, depends on the quality of institutions supporting credit markets. The effects of financial liberalization are more notable in countries that have and enforce regulations to protect property rights. In this sense, the answer to the question in the title of the paper is not clear-cut. The impact of financial liberalization on growth depends on underlying institutional factors. This paper interprets financial liberalization as the removal of restrictions that impede the free allocation of resources on two fronts: Liberalization policies [End Page] affecting the former include the removal of interest rate controls lending and deposits , directed credit policies, and limitations on foreign currency deposits and foreign ownership. Policies affecting the latter contemplate the removal of restrictions on corporate borrowing abroad and the dismantling of multiple exchange rate mechanisms and capital controls. Models of perfect markets in the tradition of Goldsmith, McKinnon, and Shaw suggest that removing restrictions on interest rates and credit controls can increase savings, expand the size of credit markets, and improve the efficiency with which funds are intermediated. Removing restrictions that limit the use of foreign capital, such as allowing foreign players to invest in the financial system or lifting controls that prevent firms from tapping international capital markets directly, can significantly increase the size and efficiency of markets, while effectively reducing the cost of funds. Here again, such mechanisms promote growth. These improvements reduce agency costs that make it harder and more expensive for firms to raise funds in both the banking sector and the securities market. Some authors claim that the efficient-markets paradigm, on which most arguments in favor of liberalization are built, is misleading when applied to the financial sector, particularly to capital flows. Removing one distortion may not be welfare-enhancing when other distortions are present. Financial markets are characterized by serious problems of asymmetric information and moral hazard, which may undermine the case for domestic financial liberalization. You are not currently authenticated. View freely available titles:

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Financial liberalization and its impact on domestic stabilization policies: Singapore and Malaysia 7. by Emil-Maria Claassen; Institute of Southeast Asian Studies.

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The financial reforms would strengthen the prudential financial recoveries and allow private banks, foreign and domestic, *to bring competition to the financial sector. In the field of agriculture, no specific action has been taken for its betterment.*