

Vol 5 Issue 5 Nov 2015

ISSN No :2231-5063

International Multidisciplinary Research Journal

Golden Research Thoughts

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RNI MAHMUL/2011/38595

ISSN No.2231-5063

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**IMPACT OF IMPORT SUBSTITUTION AND EXPORT
LED INDUSTRIALIZATION ON DISCIPLINARY PLANNING**



Sakshi Jindal

ABSTRACT:

In every economy there is a concern about which development model is better according to the conditions prevailing in the economy and how it would have impact on future economic growth. The present paper focuses on the implications of import substitution and export promotion industrialization.

KEY WORDS: industrialization , economy , export.

INTRODUCTION:

From many decades, there has been debate about the inward oriented (import substitution) and outward oriented (export promotion) policies and its impact on the economic growth of a country. My aim is to highlight the importance of import substitution and export promotion in the context of industrial study, i.e. import substituting industrialization (ISI) and export led industrialization (ELI) and its impact on discipline of economic policy.

IMPORT SUBSTITUTION INDUSTRIALIZATION (ISI)

The basic aim of a country following ISI is to protect its domestic firms from international competition and nurture them for rigorous world market competition. Infant industry protection is an important part of ISI. Its aim is to protect its newly developed industry. An economy can help its firms by providing financial support which will not only assist firms

in investment but also acts as a motivator.

It restricts foreign firm from entering the domestic market and also due to small size of market, only few sellers are enough to meet the demand requirements or sometimes policy makers intentionally limit the market to few sellers for avoiding the problem of over investment. Hence, It generates an oligopoly or monopoly based market structure. Given these conditions, firms does not face any problem in maintaining their market share which does not encourage them for innovation and upgrade their operations. domestic businessmen saw ISI as an opportunity for extracting maximum profits and they consider regulations and intervention of the state as a policy which curtail their freedom. But the motive of political elite was not just to provide a safe and profit making ambience, but also to ensure that the capital goes to targeted areas and regulate their actions. This disciplinary aspect of ISI is unacceptable because it restricts to exploit opportunity fully.

EXPORT LED INDUSTRIALIZATION (ELI)

Unlike import substitution industrialisation, firms are not protected in this regime. They have to encounter with the rigorous competitive nature of international enterprises. Firstly keep in mind that export promotion does not direct a fully open economy, it sometimes has to put restrictions to import. But if the firms are not able to overcome the advanced economies firms at home, then how could they be able to operate in foreign market where they have to work with technology about which they have no

IMPACT OF IMPORT SUBSTITUTION AND EXPORT LED INDUSTRIALIZATION ON DISCIPLINARY PLANNING

experience and against those who have generated that technology. The obstacles does not stop here, they also have take large scale investments for which they require funds. They also have to incur cost of establishing sales and marketing network in other countries. The above to arguments show that slow and uncoordinated investment is not a threat in protected market but it can pose a severe threat in an open economy, where new technology , new entrants matters a lot for the profit making of a firm.

The above requirements establish a different kind of relationship with political elites, as compared to the ISI regime. The firms have to depend on the state for unpacking technology, provide finance, and coordinate investment and establishing marketing and sales network. Also, for competing in external advanced countries market firms need to perform efficiently and maintain a considerable level of quality. In this context also they need state for carrying out performance and quality check programmes on a regular basis.

India and South Korea can be explained as a good live example of the above argument. After the Second World War, Indian economy followed an import substituting industrialization scheme in order to protect its domestic business class from the world competition whereas South Korea opted an export led industrialization and let its domestic firms to face the advanced economy competition and work more efficiently. As a result India was unable to build a disciplinary developmental state whereas Korea enjoyed a success in establishing a disciplinary developmental state.

CONCLUSION

Import substitution industrialization scheme made it rational for the economy practicing it to oppose disciplinary planning imposed by the governing body, but export led industrialization itself imposes the conditions that make it rational for the firms to follows a disciplinary planning model.

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