International Trade and Economic Development in India

Randhir Kumar*

Abstract-This paper analyses the international trade and economic development of India. Today no country in the world is fully self-sufficient so there arises the needs of International trade. International trade is the exchange of Goods, Services or Capital across the international border line or territories that is Import and Export. In the era of globalization foreign trade has become the lifeline of any economy. All countries end up specializing in what they do best, improving global productivity and reducing prices for everybody, a win-win situation, India should export whatever it can to whichever destination is profitable at the best possible price. In turn, it should import whatever it needs from wherever at the best possible price. This implies that India should run a trade surplus with relatively uncompetitive countries (like Pakistan or Bangladesh), and run a trade deficit with highly competitive countries (like China or Germany). The narrative and analytical methodology have been used in this study. The present paper is based on secondary sources.

Key words: Import, Export, International Trade, Development, Organization.

Introduction-International trade is the exchange of capital, goods and services across international borders or territories. In most countries, such trade represents a significant share of gross domestic product (GDP)**.** Carrying out trade at an international level is a complex process when compared to domestic trade. When trade takes place between two or more nation's factors like currency, governmental policies, economy, judicial system, laws and markets influence trade. To smoothen and justify the process of trade between countries of different economic standing, some international economic organizations were formed, such as the World Trade Organization. These organizations work towards the facilitation and growth of international trade. Statistical services or intergovernmental and supranational organizations and national statistical agencies publish official statistics or international trade.[1]

Today is the era of globalization. In the era of globalization trade has become the lifeline of any economy. The beauty of international trade is that it enables every country to specialize in what it does best, export these specializing in what they do best, improving global productivity and reducing prices for everybody, a win-win situation. International trade is, in principle not different from domestic trade as the motivation and the behavior of parties involved in a trade do not change fundamentally regardless of whether trade is across a border or not. However, in practical terms, carrying out trade at an international level is typically a more complex process than domestic trade. The main difference is that international trade is typically more costly than domestic trade. This is due to the fact that a border typically imposes additional costs such as tariffs, time costs due to border delays, and costs associated with country differences such as language, the legal system or culture.[2]

Not every single entity, however, gains from international trade. Let's suppose there are two countries – Country A and country B. What happens if it costs more for Country A producers to make something than for Country B producer? Specifically, what happens it the two countries trade? Producers in Country A will subsequently lose out because consumers will buy the Country B option. They choose that option because it is cheaper. However, the consumer gains more than the domestic producer loses, economists say. With international trade, there is greater competition and more competitive pricing in the market. This means the consumers have more choice and more affordable options. The economy of the world – which is driven by supply and demand also benefits.[3]

Important Features of International Trade

The important features of International trade are following[4]:-

- International immobility of factor of production.
- It broadens the mental of the people – think beyond the national boundaries, national prosperity cannot be sustained for the long when world is full of poor nations.
- It is affected by adverse balance of payment position of any countries.
- It is trade between the people whose tastes, language, custom etc, different.
- Existence of greater geographical distance and consequent in the transport cost.
- Existence of independent national monetary system giving rise to the need to exchanges ones currency for another at an agreed ration.

***UGC- NET (Economics)**

- Existence of political boundaries carries with it controls over regulations like customs duties, quotas etc.

India's Position in International Trade-Since, 1991 Indian economy has consistently grown at more than 5 percent every year, GDP growth recorded at 8.8 percent at September, 2010. Indian economy grew by 6.1 percent in 2018-19. As a large emerging economy with a growing middle class, India has captured the attention of developed economies eager to tap into a new market with hundreds of millions of potential consumers. Within Asia, policy maker and private companies' alike look to India is a regional market for export and large scale projects. India has also increasing emphasized strategic economic relations in the region, most notable with Afghanistan, Pakistan, China and the association of Southeast Asian Nations (ASEAN). The excitement India's economy has generated lately is due to in large part to changing interest and external dynamics by some estimates, by some estimates, India's economy will grow from its currents 1.8 trillion $ GDP to the world's third largest Economy in 2030, with a GDP of close to 30 trillion dollar.[5]

Tabel-1.1 shows that China is world's largest exporters with 12.3 percent of the total export followed by USA with 8.5 percent and Germany with 7.9 percent, Japan with 3.6 percent and Netherland with 3.5 percent of the world's total export. China is second largest importers in International trade. India is the 19th world's exporters and 12th world's importers in International trade.

Tabel-1.1: Major Exporters and Importers in International Trade (2014-15)

Rank	Exporters	Value	Share	Annual % Change	Rank	Importer	Value	Share	Annual % Change
1	China	2342	12.3	6	1	USA	2413	12.6	4
2	USA	1621	8.5	3	2	China	1959	10.3	0
3	Germany	1508	7.9	4	3	Germany	1216	6.4	2
4	Netherland	672	3.5	0	4	Japan	822	4.3	- 1
…..	…………	…..…	……	…………..	……	………	……..	…..	…………
19	**India**	**322**	**1.7**	**2**	**12**	**India**	**463**	**2.4**	**- 1**

Source: World Trade Organization, International Trade Statistics-2015.

In 2007, India becomes a member of elite group of countries with "trillion dollar economy" and today Indian economy is the largest democracy and the second fastest growing country behind China. Today, our country is seen as the greatest threat to China and USA as per the World Bank Projection, the Indian economy will be the third largest economy by 2050, battered only by China and the USA at first and

second position respectively. All countries end up specializing in what they do best, improving global productivity and reducing prices for everybody, a win-win situation, India should export whatever it can to whichever destination is profitable at the best possible price. In turn, it should import whatever it needs from wherever at the best possible price. This implies that India should run a trade surplus with relatively uncompetitive countries (like Pakistan or Bangladesh), and run a trade deficit with highly competitive countries (like China or Germany).[6]

Economic Development-It is the growth of the standard of living of a nation's people from a low-income (poor) economy to a high-income (rich) economy. When the local quality of life is improved there is more economic development. The term 'economic development' has been used frequently in the 20th and 21st centuries, but the concept has existed in the west for centuries. 'Modernization', 'Westernization' and especially 'Industrialization' are other terms often used while discussing economic development. It has a direct relationship with the environment. Whereas economic development is a policy intervention endeavor aiming to improve the well-being of people, economic growth is a phenomenon of market productivity and rise in GDP. Consequently, as economist Amartya Sen points out, "economic growth is one aspect of the process of economic development".[7]

Economic development is typically associated with improvements in a variety of areas or indicators (such as literacy rates, life expectancy and poverty rates), that may be causes of economic development rather than consequences of specific economic development programmes. For example, health and education improvements have been closely related to economic growth, but the causality with economic development may not be obvious. Many times the economic development goals of specific countries cannot be reached because they lack the state's capabilities to do so. Economic development has evolved into a professional industry of highly specialized practitioners. The practitioners have two key roles: one is to provide leadership in policy-making and the other is to administer policy, programmes and projects.

Economic Development in India-Not only toady but even historically, foreign trade has played a significant role in development of the various economies. It is now an essential ingredient of the normal economic life of any country. It is now an essential ingredient of the normal economic life of our countries. It terms economic development, foreign trade is a potentially effective engine of growth. Even, though international trade is life and motive power for economic growth and development of developing countries like India. The economic development of India was dominated by socialist-influenced policies, state-owned sectors and red tape and extensive regulations, collectively known as 'License Raj'. It led the country and its economy isolated from the world economy. However the scenario started changing from the mid-1980s, when India began opening up its market slowly through economic liberalization. The policy played a huge impact on the economic development of India. The Indian economic development got a boost through its economic reform in 1991.[8]

The economic development in India followed socialist-inspired politicians for most of its independent history, including state-ownership of many sectors, India's per capita income increased at only around 1% annualized rate in the three decades after its independence. After more fundamental reforms since 1991 and their renewal in the 2000s, India has progressed towards a free market economy. Reaping its benefit, the growth of the country reached around 7.5 percent in the late 2000s. It is also expected to double the average income within a decade. According to the analysts, if India can push more fundamental market reforms, it will be able to sustain the rate and can even achieve the government's target of 10 percent by 2011. The economic development of India largely depends upon a few factors, which prove to be decisive. According to the World Bank, for a better economic development, India needs to give due priorities in various issues like infrastructure, public sector reform, agricultural and rural development, reforms in lagging states, removal of labor regulations and HIV/AIDS.[9]

At the turn of the country India's GDP was at around US$ 480 billion. As economic reforms picked up pace, India's GDP grew five-fold to reach US$ 2.2 trillion in 2015 (as per IMF estimates). India's GDP growth during January-March period of 2015 was at 7.5 percent compared to China's 7 percent, making it the fastest growing economy. During 2014-15, India's GDP growth recovered marginally to 7.3 percent from 6.9 percent in the previous fiscal.[10] During 2014-15, India's services sector grew by 10.1 percent, manufacturing sector by 7.1 percent and agriculture by 0.2 percent. Indian economy grew at 7.6 in financial year 2015-16 and at 7.1 percent in financial year 2016-17 as major reforms had taken place like Demonetization and implementation of GST in financial year 2016-17. The economic growth has been slow down in 2017-18 and it grows at 6.7 percent.[11] India's GDP growth rate for 2019-2020 estimated at 5 percent against 6.8 percent in financial year 2017-19. As per the first advance estimates of the national income released by the National Statistical Office (NSO), the manufacturing sector output growth will decelerate to 2 percent in 2019-20, down from 6.9 percent in the previous financial year.[12]

Conclusion-It can be said that international trade is the key factor in the economic development of our country. The beauty of international trade is that it enables every country to specialize in what it does best, export these specializing in what they do best, improving global productivity and reducing prices for everybody, a win-win situation. Today is the era of globalization. In the era of globalization trade has become the lifeline of each and every economy. India's GDP growth is seen dipping to an eleventh year low of 5 percent in the current fiscal year 2019-20, mainly due to poor showing by manufacturing and construction sectors. In 2007, India becomes a member of elite group of countries with "trillion dollar economy" and today Indian economy is the largest democracy and the second fastest growing country behind China. Today, our country is seen as the greatest threat to China and USA as per the World Bank Projection, the Indian economy will be the third largest economy by 2050, battered only by China and the USA at first and second position respectively.

REFERENCES

1. Krishna, K. L., Vishwanath, P. K. & Sundaram (2016); Perspectives on Economic Development and Policy in India, *India Studies in Business and Economics*, New Delhi, p. 14
2. Bhattacharya, A. (Dec.,2001); Competition Policy: India and the WTO, *Economic and Political Weekly*, Vol. XXXVI, No. 51, p. 4712
3. Srinivasan, T. N. (2016); Planning, Poverty and Political Economy of Reforms : A Tribute to Suresh D. Tendhulkar, in *Perspectives on Economic Development and Policy in India*, India Studies in Business and Economics, p. 03
4. *Ibid, p. 05*
5. Hanumantha, R. C. H. (Sep., 2003); WTO and Viability of Indian Agriculture, *Economic and Political Weekly*, Vol. XXXVI, No. 36, p. 3451
6. Singh, Rakesh (Jan-June, 2002); Agriculture, India and World Trade Organization, *The Journal of Business Perspective*, p. 45
7. Bhattacharya, B.(January, 2002); Global Competitiveness of Indian Agriculture, *Yojana*, Vol. 16, p. 21
8. *Ibid, p. 23*
9. Singh, Rakesh (Jan-June, 2002); Agriculture, India and World Trade Organization, *The Journal of Business Perspective*, p. 47
10. Mehra, Puja (05 Feb, 2017); India fastest growing economy, *The Hindu*, New Delhi, p. 17
11. Ray, A. S., Agarwal, M. & Parameswaran, M. (2019); What is Economic Development?: A Comparative Performance of Indian States, Routledge, New Delhi, p. 34
12. *Ibid, p. 35*