

The Changing Scenario of International Trade: Gains and Challenges for India

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ABSTRACT

As we all know, trade is essential for economic growth and development, and India has been making great strides in the international trade landscape. However, with the global economic landscape rapidly changing, it is important for India to understand the changing scenario of international trade and how it affects the country's trade policies, trade partners, and major sectors.

Let's begin by looking at the evolution of India's trade policies. Over the years, India has implemented several trade policies, such as import substitution, export promotion, and liberalization, to name a few. These policies have contributed to India's integration into the global economy, as well as led to the liberalization of India's trade policies. Some of the key reforms that have led to the liberalization of India's trade policies include the reduction of tariffs, the simplification of trade procedures, and the deregulation of industries.

For example, India's average applied tariff rate has decreased significantly from 32.5% in 1991 to 7.5% in 2019, according to the World Bank. This reduction in tariffs has made Indian goods more competitive in the global market and attracted more foreign investment. Additionally, India has implemented several trade facilitation measures, such as the introduction of a single-window clearance system for exports and imports, which has reduced the time and cost of trading. Moving on to major trade partners and sectors, India's top trading partners include the US, China, UAE, and Saudi Arabia. These countries contribute significantly to India's international trade. In 2019-20, India's total exports to the US were worth \$52.4 billion, while its total imports were worth \$35.6 billion, according to the Ministry of Commerce and Industry. Similarly, India's total exports to China were worth \$16.6 billion, while its total imports were worth \$68.7 billion. These numbers highlight the importance of these countries as trade partners for India.

India's major sectors that drive its international trade include services, textiles, chemicals, and engineering goods. These sectors offer opportunities for India to increase its exports and generate revenue, but they also present challenges, such as competition from other countries, the need for higher quality products, and a lack of infrastructure.

For example, India's services sector has been growing rapidly and contributes significantly to its international trade. In 2019-20, India's total services exports were worth \$213 billion, while its total services imports were worth \$109 billion, according to the Ministry of Commerce and Industry. However, India's services sector also faces challenges such as increasing competition from other countries, the need for upskilling the workforce, and the impact of the COVID-19 pandemic on travel-related services.

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Now, let's look at the challenges and opportunities that India faces in the global trade landscape. India faces challenges such as increasing protectionism and trade tensions, improving infrastructure, reducing logistics costs, and increasing competitiveness. However, India also has opportunities such as its rapid economic growth, demographic dividend, and focus on improving ease of doing business and attracting foreign investment.

For example, India's GDP is expected to grow at 10.1% in 2021-22, according to the IMF. This rapid economic growth presents opportunities for India to increase its exports and attract foreign investment. Additionally, India's demographic dividend, with a large and growing population of working-age individuals, presents opportunities for India to increase its competitiveness and attract more foreign investment.

In conclusion, understanding the changing scenario of international trade is crucial for India to leverage its strengths and address the challenges it faces. The evolution of India's trade policies and key reforms have contributed to India's integration into the global economy. India's major trade partners and sectors, including services, textiles, chemicals, and engineering goods, present both opportunities and challenges for India's international trade. India must address challenges such as increasing protectionism and trade tensions, improving infrastructure, reducing logistics costs, and increasing competitiveness. However, India's rapid economic growth, demographic dividend, and focus on improving ease of doing business and attracting foreign investment present significant opportunities. With strategic policies and initiatives, India can overcome the challenges and take advantage of the opportunities presented by the changing scenario of international trade.

Keywords: *Indian trade, global challenges, economy, technology, sustainability, public health, trade policies, cultural considerations.*

INTRODUCTION

As we all know, trade is essential for economic growth and development, and India has been making great strides in the international trade landscape. However, with the global economic landscape rapidly changing, it is important for India to understand the changing scenario of international trade and how it affects the country's trade policies, trade partners, and major sectors.

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Moving on to major trade partners and sectors, India's top trading partners include the US, China, UAE, and Saudi Arabia. These countries contribute significantly to India's international trade. In 2019-20, India's total exports to the US were worth \$52.4 billion, while its total imports were worth \$35.6 billion, according to the

Ministry of Commerce and Industry. Similarly, India's total exports to China were worth \$16.6 billion, while its total imports were worth \$68.7 billion. These numbers highlight the importance of these countries as trade partners for India.

India's major sectors that drive its international trade include services, textiles, chemicals, and engineering goods. These sectors offer opportunities for India to increase its exports and generate revenue, but they also present challenges, such as competition from other countries, the need for higher quality products, and a lack of infrastructure.

For example, India's services sector has been growing rapidly and contributes significantly to its international trade. In 2019-20, India's total services exports were worth \$213 billion, while its total services imports were worth \$109 billion, according to the Ministry of Commerce and Industry. However, India's services sector also faces challenges such as increasing competition from other countries, the need for upskilling the workforce, and the impact of the COVID-19 pandemic on travel-related services.

Now, let's look at the challenges and opportunities that India faces in the global trade landscape. India faces challenges such as increasing protectionism and trade tensions, improving infrastructure, reducing logistics costs, and increasing competitiveness. However, India also has opportunities such as its rapid economic growth, demographic dividend, and focus on improving ease of doing business and attracting foreign investment.

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In conclusion, understanding the changing scenario of international trade is crucial for India to leverage its strengths and address the challenges it faces. The evolution of India's trade policies and key reforms have contributed to India's integration into the global economy. India's major trade partners and sectors, including services, textiles, chemicals, and engineering goods, present both opportunities and challenges for India's international trade. India must address challenges such as increasing protectionism and trade tensions, improving infrastructure, reducing logistics costs, and increasing competitiveness. However, India's rapid economic growth, demographic dividend, and focus on improving ease of doing business and attracting foreign investment present significant opportunities. With strategic policies and initiatives, India can overcome the challenges and take advantage of the opportunities presented by the changing scenario of international trade.

The changing scenario of international trade is important for India

Understanding the changing scenario of international trade is critical for India for several reasons:

- To leverage opportunities: The global trade landscape is continuously evolving, and new opportunities are emerging for countries that can adapt quickly. Understanding the changing scenario of international trade allows India to identify and leverage new opportunities, such as emerging markets, changes in consumer preferences, and the adoption of new technologies.

- To remain competitive: The global trade landscape is becoming increasingly competitive, and countries that fail to keep up risk falling behind. Understanding the changing scenario of international trade allows India to identify and address challenges to its competitiveness, such as improving infrastructure, reducing logistics costs, and adopting new technologies.
- To attract foreign investment: Foreign investment is crucial for India's economic growth, and understanding the changing scenario of international trade allows India to identify and capitalize on opportunities to attract foreign investment. This includes initiatives to improve ease of doing business, regulatory reforms, and promoting India's strengths in key sectors.
- To inform policy decisions: Understanding the changing scenario of international trade is critical for informing policy decisions that affect India's trade and economic growth. This includes trade negotiations, regulatory reforms, and initiatives to improve India's competitiveness in key sectors.

Major trade policies that have been implemented in India over the years

India has implemented several trade policies over the years, with significant changes occurring in the 1990s as part of a broader economic liberalization program. Here are some of the major trade policies that have been implemented in India over the years:

- **Import substitution:** After India's independence in 1947, the government implemented import substitution policies to reduce dependence on foreign goods and promote domestic industries. This involved imposing high tariffs on imported goods, restricting foreign investment, and providing subsidies to domestic industries.
- **Export promotion:** In the 1970s, the government shifted towards export promotion policies to boost exports and earn foreign exchange. This involved providing incentives to exporters, relaxing restrictions on foreign investment, and establishing export processing zones.
- **Economic liberalization:** In the 1990s, India embarked on a program of economic liberalization, which involved significant reforms to its trade policies. This included reducing tariffs, removing quantitative restrictions on imports, liberalizing foreign investment, and dismantling industrial licensing requirements.
- **Regional and bilateral trade agreements:** India has also entered into several regional and bilateral trade agreements, such as the South Asian Free Trade Area (SAFTA) and the Comprehensive Economic Cooperation Agreement (CECA) with Singapore. These agreements aim to promote trade and investment between India and its trading partners.
- **Make in India:** In 2014, the Indian government launched the Make in India initiative, which aims to promote domestic manufacturing and attract foreign investment. The initiative includes policies such as increasing ease of doing business, reducing bureaucratic hurdles, and promoting innovation and entrepreneurship.

Overall, India's trade policies have evolved significantly over the years, with a shift towards greater liberalization and integration into the global economy. The government has also sought to promote domestic industries and attract foreign investment through targeted initiatives such as Make in India.

Key reforms that have led to the liberalization of India's trade policies:

The liberalization of India's trade policies in the 1990s was a significant reform effort that aimed to integrate the Indian economy with the global economy. Here are some key reforms that led to the liberalization of India's trade policies, along with supporting facts and data:

1. **Reduction in tariff rates:** India has gradually reduced its tariff rates over the years, with the average tariff rate falling from around 60% in the 1990s to around 10% in 2020. This has been achieved through a series of tariff reduction initiatives, including the introduction of the Trade Policy Review Mechanism in 1997 and the implementation of the WTO's Information Technology Agreement in 1997.
2. **Dismantling of the licensing system:** Prior to the liberalization of India's trade policies, there was a complex licensing system that regulated imports and exports. This system was gradually dismantled through a series of reforms, including the abolition of the Import-Export (IE) Code and the introduction of the Open General License (OGL) scheme. These reforms helped to reduce bureaucratic hurdles and promote greater competition in the Indian market.
3. **Removal of quantitative restrictions on imports:** India also removed quantitative restrictions on imports, which had previously limited the amount of certain goods that could be imported into the country. This was achieved through the phasing out of the Special Import License (SIL) and the introduction of the Open General Import License (OGIL) scheme.
4. **Liberalization of foreign investment:** India has also liberalized its foreign investment regime, with foreign direct investment (FDI) inflows increasing from around \$2 billion in 1991-92 to around \$81 billion in 2022-23. This has been achieved through a series of measures, including the introduction of the Foreign Investment Promotion Board (FIPB), the liberalization of FDI limits in various sectors, and the simplification of FDI regulations.

Overall, these key reforms have helped to promote greater competition, reduce bureaucratic hurdles, and attract more foreign investment to India. As a result, India has been able to integrate more fully into the global economy and achieve significant economic growth over the past few decades.

India's major trading partners and how they contribute to India's international trade:

India has a diverse set of trading partners around the world, with different countries contributing to India's international trade in various ways. Here are some of India's major trading partners and how they contribute to India's international trade, supported by facts and figures:

1. **China:** China is India's largest trading partner, with bilateral trade between the two countries reaching \$77.7 billion in 2022-23. China is a major supplier of goods to India, particularly in the electronics and machinery sectors, while India primarily exports raw materials, such as iron ore and cotton, to China.
2. **United States:** The United States is India's second-largest trading partner, with bilateral trade between the two countries reaching \$87.9 billion in 2022-23. India primarily exports goods to the United States, including pharmaceuticals, textiles, and precious stones, while importing machinery, electronics, and mineral fuels.
3. **United Arab Emirates (UAE):** The UAE is India's third-largest trading partner, with bilateral trade between the two countries reaching \$41.4 billion in 2022-23. The UAE is a major destination for Indian exports, particularly in the petroleum and precious stones sectors, while India imports machinery, electronics, and pearls and precious stones from the UAE.
4. **Saudi Arabia:** Saudi Arabia is India's fourth-largest trading partner, with bilateral trade between the two countries reaching \$28.9 billion in 2022-23. India primarily imports petroleum and petrochemical products from Saudi Arabia, while exporting chemicals, plastics, and pharmaceuticals.
5. **Singapore:** Singapore is India's fifth-largest trading partner, with bilateral trade between the two countries reaching \$21.2 billion in 2022-23. Singapore is a major destination for Indian exports, particularly in the petroleum and precious stones sectors, while India imports machinery, electronics, and organic chemicals from Singapore.

These trading partners, along with others, contribute significantly to India's international trade and help to drive the country's economic growth.

Discuss the key sectors that drive India's international trade, including services, textiles, chemicals, and engineering goods:

India's international trade is driven by a diverse set of sectors, each contributing in their own way to the country's economy. Here are some key sectors that drive India's international trade, along with facts and figures to support their importance:

Services: The services sector is a major contributor to India's international trade, accounting for 47% of total exports in 2022-23. India is a leading provider of services such as IT and IT-enabled services, business process outsourcing, and engineering and R&D services. In 2022-23, India's services exports amounted to \$205.8 billion.

Textiles: The textiles sector is another key contributor to India's international trade, accounting for 11% of total exports in 2022-23. India is the world's second-largest exporter of textiles and clothing, with textiles exports amounting to \$26.4 billion in 2022-23. Key products include cotton yarn, fabrics, and readymade garments.

Chemicals: The chemicals sector is an important contributor to India's international trade, accounting for 10% of total exports in 2022-23. India is a major exporter of organic and inorganic chemicals, pharmaceuticals, and dyes and pigments. In 2022-23, India's chemicals exports amounted to \$33.6 billion.

Engineering goods: The engineering goods sector is a significant contributor to India's international trade, accounting for 25% of total exports in 2022-23. India is a leading exporter of engineering goods such as machinery, boilers, and electrical equipment. In 2022-23, India's engineering goods exports amounted to \$83.8 billion.

These sectors, along with others such as agriculture and automotive, play a crucial role in driving India's international trade and contributing to the country's economic growth.

The opportunities and challenges that each of these sectors presents for India's international trade:

Here are some opportunities and challenges presented by the key sectors that drive India's international trade, along with relevant data:

1. Services:

Opportunities:

- Growing demand for digital services such as cloud computing and cybersecurity.
- Rising demand for healthcare services, driven by an aging global population.
- Increasing adoption of fintech services such as digital payments and online lending.

Challenges:

- Competition from other countries such as the Philippines and Vietnam in the outsourcing market.
- The impact of protectionist policies and restrictive visa regimes on the movement of skilled professionals.
- Lack of adequate infrastructure and technology adoption in some areas.

2. Textiles:

Opportunities:

- Growing demand for sustainable and eco-friendly textiles.
- Rising demand for high-quality cotton yarn and fabrics in international markets.

- Increasing use of technical textiles in industries such as healthcare and construction.

Challenges:

- Competition from other textile-exporting countries such as China, Bangladesh, and Vietnam.
- Dependence on cotton imports for yarn production.
- Lack of adequate infrastructure and technology adoption in some areas.

3. Chemicals:

Opportunities:

- Growing demand for specialty chemicals such as agrochemicals, personal care ingredients, and electronic chemicals.
- Increasing focus on research and development in the pharmaceuticals sector.
- Growing demand for chemical inputs in industries such as construction and automotive.

Challenges:

- Competition from other chemical-exporting countries such as China, Germany, and the United States.
- Stringent environmental regulations and increasing focus on sustainability in the industry.
- Dependence on imports for some key raw materials.

4. Engineering goods:

Opportunities:

- Growing demand for renewable energy equipment such as wind turbines and solar panels.
- Increasing demand for high-tech machinery and equipment in industries such as aerospace and defense.
- Growing demand for electrical equipment such as transformers and switchgear.

Challenges:

- Competition from other engineering-exporting countries such as China, Germany, and Japan.
- Dependence on imports for some key raw materials.
- Lack of adequate infrastructure and technology adoption in some areas.

Overall, while these sectors present significant opportunities for India's international trade, they also face challenges that need to be addressed in order to fully realize their potential.

Challenges faced by India

The challenges that India faces in the global trade landscape, such as increasing protectionism and trade tensions, improving infrastructure, reducing logistics costs, and increasing competitiveness.

Here are some challenges that India faces in the global trade landscape, along with relevant data:

Increasing protectionism and trade tensions:

According to the World Trade Organization (WTO), global trade growth has slowed down from an average of 5.2% between 1990 and 2007 to an average of 2.7% between 2011 and 2020. This slowdown has been attributed to the increasing trend towards protectionism and trade tensions.

India has been affected by protectionist policies such as trade barriers and import restrictions imposed by some of its major trading partners, including the United States and China.

Improving infrastructure:

India's logistics costs are estimated to be around 13-14% of GDP, which is higher than the global average of around 9%. This is due to inadequate infrastructure such as poor road and rail connectivity, congested ports, and inefficient customs procedures.

According to the Global Competitiveness Report 2019, India ranked 70th out of 137 countries in terms of infrastructure quality.

Reducing logistics costs:

According to a report by the Ministry of Commerce and Industry, the cost of logistics in India is estimated to be around \$200 billion annually. This is primarily due to high transportation costs, high inventory carrying costs, and high warehousing costs.

The introduction of the Goods and Services Tax (GST) has helped to reduce some of these costs by streamlining the tax structure and reducing transit times.

Increasing competitiveness:

According to the World Economic Forum's Global Competitiveness Index 2019, India ranked 68th out of 141 countries in terms of overall competitiveness.

India needs to focus on improving its education system, increasing innovation, and reducing red tape and corruption to become more competitive in the global trade landscape.

Overall, these challenges need to be addressed in order for India to fully realize its potential in the global trade landscape. The government has taken some steps to address these challenges, such as implementing the GST and launching initiatives to improve infrastructure, but there is still more work to be done

Opportunities

The opportunities that India has in the global trade landscape, such as its rapid economic growth, demographic dividend, and focus on improving ease of doing business and attracting foreign investment

India has several opportunities to take advantage of in the global trade landscape. Firstly, India's rapid economic growth presents significant opportunities for the country to increase its exports and attract foreign investment. As mentioned earlier, India's GDP is expected to grow at 10.1% in 2022-23, according to the IMF.

Secondly, India has a demographic dividend, with a large and growing population of working-age individuals. This demographic advantage can be leveraged to increase India's competitiveness and attract more foreign investment. For instance, India has a large pool of skilled and relatively low-cost labor, which can be used to increase competitiveness in industries such as manufacturing and services.

Thirdly, the Indian government has made significant efforts to improve the ease of doing business in the country, which has led to an increase in foreign investment. For instance, according to the World Bank's Doing Business 2020 report, India jumped 14 places to rank 63rd out of 190 countries in terms of ease of doing business. The government has implemented several reforms to streamline regulatory processes and reduce bureaucratic hurdles for businesses.

Lastly, India has a significant opportunity to increase its exports of high-value-added goods and services. The country has a strong IT services sector, with companies such as Tata Consultancy Services and Infosys among the world's largest IT services providers. In addition, India has a growing pharmaceuticals sector, which is the third-largest in the world by volume and the 13th largest by value.

Overall, India's rapid economic growth, demographic dividend, focus on improving ease of doing business, and strengths in high-value-added industries present significant opportunities for the country to increase its international trade and attract foreign investment.

In conclusion, understanding the changing scenario of international trade is crucial for India. With the increasing integration of economies around the world, India's trade policies and strategies must adapt to remain competitive and take advantage of new opportunities. By understanding the evolving global trade landscape, India can identify potential risks and opportunities, develop appropriate policies, and leverage its strengths to increase international trade and attract foreign investment.

India's economic growth and demographic dividend offer significant opportunities for the country to increase its exports and attract foreign investment. However, challenges such as increasing protectionism, trade tensions, and infrastructure deficiencies must be addressed. Additionally, key sectors such as services, textiles,

chemicals, and engineering goods present both opportunities and challenges for India's international trade. Therefore, it is imperative for policymakers, businesses, and stakeholders in India to stay informed about the changing dynamics of international trade, and continuously adapt to ensure that the country remains competitive in the global economy. Only by embracing change and being proactive in responding to the challenges and opportunities presented by the changing scenario of international trade can India achieve sustained economic growth and development.

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