

International Trade and Economic Development

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Abstract

Economic development is a longer and continuous process. It depends upon various aspects. Some countries have developed very fast. Some other countries developing at a slower pace. Western countries have developed with their efforts. However Eastern countries and major Asian countries are looking toward the West for investment and technical advancement. Governments and organizations of developing countries strive hard to speed up economic development. But expected support could not be getting by developing countries. If they get technical know-how and capital are old dated and insufficient. Apart from technological development foreign trade plays a vital role in economic development. The foreign trade acts as an engine for growth for developed countries. It fails to act for developing countries. For this, several reasons are responsible. Some of them are, backwardness in technology, low-level investment, low level of competitiveness, and weak bargaining capacity, etc.,

Keywords: Economic development, innovation, invention, investment, trade balance of payment

Introduction:

Foreign trade is the most important and common nowadays. No country can sustain itself without the foreign trade. The main reason is, no country is self-sufficient in all requirements. All countries of the world depend upon other countries. Even the most advanced countries like the United States, Japan, Germany, Switzerland, and Belgium are also depending upon their foreign trade. Countries of world need the foreign trade either export or import for their requirements. This is an attempt to assess the role of foreign trade in the economic development of India.

Objectives:

1. To assess the importance of foreign trade in the economy.
2. To examine the role of foreign trade in economic development
3. To identify the challenges faced by the foreign trade.
4. To suggest remedies for challenges faced in foreign trade.

Methodology: This study makes use of secondary data for this analysis. This is a partial analysis. It applies to India's foreign trade for 2020 -2021 only.

Foreign trade foreign trade refers to trade between two countries. That is export and import of the country. Export and import include both merchandise and service and investments.

India exports approximately 7500 commodities to about 190 countries, and imports around 6000 commodities from 140 countries. India's foreign exchange reserves for Dec-18 were \$ 393287Mn, Dec-

19, \$454948mn, Dec-20, \$ 581131mn, Dec-21, \$635080mn, Dec-22, \$562808mn, and for Dec-23, \$ 620441mn.

What does India export? Petroleum products, Mineral fuels including oil, Gems, precious metals, Machinery including computers, Organic, Electrical machinery, equipment, chemicals, iron, steel, and pharmaceuticals products.

What India Imports? Crude petroleum, gold, pearls, precious stones, petroleum products, Telecom instruments, electronic components, industrial machinery, electronic components, Animal/vegetable fats, oils, waxes, Plastics, plastic articles, and medical apparatus.

What is the impact of foreign trade on economic development?

The country's involvement in foreign trade and its interest in it achieves growth in the GDP, which is affected by the volume of exports and imports. Raising the level of export efficiency is important to compete in global markets, generate revenues that contribute to encouraging investment, increase the positive impact on the economic movement in the country, and increase economic growth overall.

The interest of the country in foreign trade is evident through the establishment of the General Authority for International Trade in 2019, to enhance the international commercial gains of the country defend its interests in the fields of foreign trade, and then contribute effectively to economic development.

Because the export process is the first step in the country's launch to foreign markets, therefore, the Kingdom needed to seek to support the export process as an affirmation of its interest and support for foreign trade, and this was through approving the establishment of the India's EXIM Bank in 1982.

How does foreign trade support economic development?

Foreign trade supports economic development through the following:

Expanding the target market for companies

Foreign trade increases the number of markets available to companies to display their products, which enhances the process of production and sale of products locally and internationally. Because the continuous growth of business is what necessarily leads to the enhancement of economic development.

India has come a long way in this, according to the annual report for the year 2021 issued by India's EXIM Bank, among its most important achievements in that year was the arrival of India products to more than 150 countries.

Generating more revenue

Companies in many countries are working in light of foreign trade to increase the production of services and goods. This enhances the increase of revenues over time and encourages more investments that support economic development.

Achieving higher growth rates

The companies' access to new markets increases the opportunity for the hosting markets to know the services provided by these companies, and thus the growth of demand for the products and services they provide will often be at better prices than the local market, which supports economic development.

This growth will be more tangible if these companies choose a field of their own to be known through. As its efficiency and competitive advantage will increase, its share in the global market will grow to achieve economic development in its best form.

Providing job opportunities

In addition to the job opportunities offered by foreign trade, the process of expanding companies to target markets will increase their ability to provide products and services. This will create more need for various job opportunities in the target markets, and increase the profits of these companies, thus achieving support in the field of economic development for both countries.

Improving risk management

Risk management is an important step in the world of business, as it allows companies to study threats to capital and profits, whether at the level of legal responsibilities, technology problems, mismanagement, or even natural disasters.

Here comes the importance of foreign trade. The expansion of target markets makes companies less dependent on local markets which improves risk management because companies will remain economically thriving and contribute to supporting economic development, without worrying about risks that may harm the local market. Especially, if these companies diversify their production line by constantly finding new markets and a new customer base, which means continuous demand and production.

Making the local industry a competitor in the global markets

Foreign trade allows companies to try their products and services at the global level, which leads to an increase in the possibility of enhancing the reputation of some companies in the global market and increasing demand for what they offer. This is what can make the local industry compete on the level of global markets and increase the demand for its products. Such an increase will revive the economy and achieve a higher level of economic development.

Therefore, India launched the National Industry Development and Logistics Services Program in 2019, which aims to create a local industry that competes in global markets.

Adopting a reliable brand

If companies expand in new foreign markets other than the local markets, they may face little competition that raises their quality. This will make it dominate these markets and build a reliable brand to take its share of the market and support economic growth in the long term.

How can foreign trade be supported to achieve economic development?

So that foreign trade supports economic development in the country, the foreign trade must be supported in it, and this is achieved through the following:

Developing effective strategies for foreign trade

These policies and strategies must be developed with both the governmental and private sectors, and this is what the General Authority for Foreign Trade in India is doing. As it prepared the national strategy for foreign trade in 2021.

The National Foreign Trade Strategy aims to promote and enable foreign trade in India. This is done by setting policies that allow India's exports to access foreign markets and develop capabilities in this field

in cooperation with the public and private sectors.

India's merchandise exports in November 2021 were, US \$ 29.88 billion, an increase of 26.49% over US\$ 23.62 billion in November 2020 and an increase of 15.93% over US\$ 25.77 billion in November 2019.

India's merchandise imports in November 2021 were us \$ 53.15 billion, an increase of 57.18% over US \$ 33.81 billion in November 2020 and an increase of 37.96% over USD 38.52 billion in November 2019.

Providing financing products for the development of exports

Based on the importance of providing financing products, India's EXIM Bank provides direct and indirect financing services to enhance the development of India's exports. It also cooperates with commercial banks and financial institutions, whether local or international, to provide integrated financial services, in addition to studying and following up on the improvements in these services and improving as much as possible.

Enhancing participation in organizations concerned with foreign trade

This is what the General Authority for Foreign Trade is concerned with, which represents India in organizations and forums related to foreign trade affairs, whether regional or international, to strengthen the international presence of the Kingdom and its effective participation in a group of organizations concerned with international trade.

To enhance its role in this field, and according to the Authority's report for the year 2021, it made an inventory of all trade agreements and reviewed them, then proposed a set of solutions for India to benefit from in this regard, and studied the economic feasibility of concluding foreign trade agreements with a group of countries and then presented its priorities in this regard to the world Cooperation to review and identify priority countries to resume work with them.

Developing trade exchange of goods and services

The development of trade exchange with international partners, which is the creation of common commercial interests for the exchange of goods globally, improves economic growth, especially if it is in the field of providing local and distinct products that are unique to the country and reap a global demand. The commercial attachés of the General Authority for Foreign Trade contributed to the development of trade exchange in India. It succeeded in enabling the entry of dates into global markets, being the first global exporter of dates, and it achieved clear results in that, according to the annual report of the Commission in 2021, and contributed to increasing India's exports of dates to the foreign markets by 22%, and it also coordinated meetings with the largest importers, and other efforts.

The top 10 Import sources of India are; It shows the direction of India's foreign trade

Country	Export value (2018-19) US\$ Billion	Percentage Share (2018-19)
1. China PRP	70.32	13.68
2. USA	35.55	6.92
3. United Arab Emirates	29.78	5.79

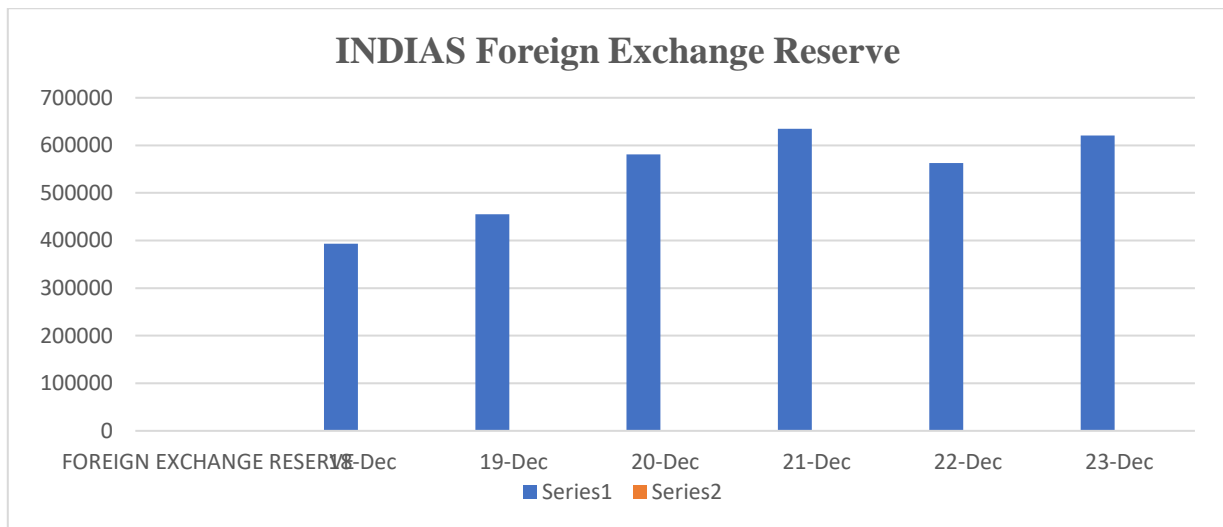
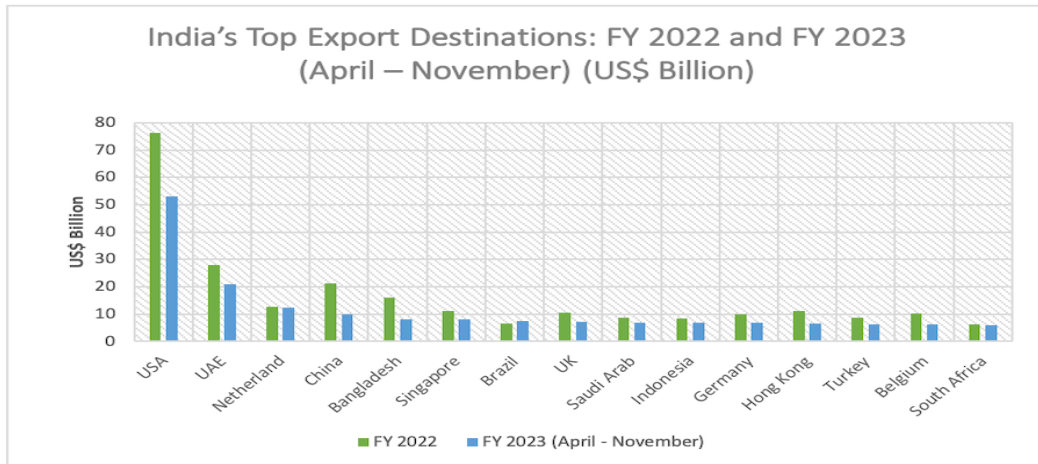
4. Saudi Arab	28.48	5.54
5. Iraq	22.37	4.35
6. Switzerland	18.08	3.52
7.Hong Kong	17.99	3.50
8. Korea RP	16.76	3.26
9. Singapore	16.28	3.17
10. Indonesia	15.85	3.08

So, China is the biggest source of Indian imports. Chinese exports to India were \$74.72 billion in 2019 while Indian exports to China were just \$17.95 billion in the same year. so, India has a trade deficit of \$56.77 billion with China.

The top 10 Largest export destinations of India are;

Country	Import value (2018-19) US\$ Billion	Percentage Share (2018-19)
1. USA	52.43	15.88
2. United Arab Emirates	30.13	9.13
3.China PRP	16.75	5.07
4.Hong Kong	13.00	3.94
5. Singapore	11.57	3.51
6. United Kingdom	9.33	2.83
7. Bangladesh PR	9.21	2.79
8. Germany	8.90	2.70
9. Netherland	8.81	2.67
10. Nepal	7.76	2.3

The above table depicts that the USA is the biggest destination for Indian export followed by the United Arab Emirates. Now let us have a look at the top 10 biggest import sources of India in 2018-19. The bilateral trade between India and the USA was USD 87.95 billion in 2018-19. India has a trade surplus of USD 16.85 billion with America in the same period. This trade surplus has come down to \$15.17 billion in January 2020.



Source: <https://www.rbi.org.in>

The above figure shows the strength of India's foreign trade earnings in US dollars.

Conclusion: It is clear from the above that, the country can achieve its economic development through foreign trade. It depends on various factors. They are the quality of goods competing at foreign trade, price of exports, bargaining capacity, and other factors. If a country can make use effectively, then foreign trade acts as the engine of growth otherwise it acts as an engine of brake. The successful make use of foreign trade depends upon the individual country.

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