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India's Position in the World Trade Market: Comparison with Other Countries

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ABSTRACT

India today stands as a trillion economy. Indian trade history is remarkable. Indian trade has benefited and so has the world. The country has realized that at the end of the day, maximizing use of one's own resources is what makes all the difference. Now India is one of the fastest developing Nation in the World Trade Market. Darjeeling tea, Indian khadi cotton, Kashmiri carpets, Indian spices and dry fruit are just a few of the famous gifts India has given to the world. The economic levels have improved in the urban and semi-urban areas. Literacy is penetrating deep in to even the far reach areas, thus creating awareness and to higher consumption patterns for all kinds of goods across all sections of the society. Promoting the availability of goods from different parts of the world has seen a rise in more trade with other countries.

Keywords: *India, Trade Market, Economy, Resource, Goods.*

I. Introduction

Even though the popular view is that India's export promotion started with the economic reforms post nineties. A study foreign trade policy shows that efforts have been made to make our trade competitive even before that. To understand this, we need to know the background history and evolution of foreign trade in India. India is looked upon as a country with immense resources available through its length and breadth. India was famed for her fabulous wealth ever since the ancient times till the establishment of the British Empire. Indian trade history reflects that despite the frequent political upheavals during the 12th to the 16th centuries, the country was still prosperous. Descriptions of the wide variety of excellent goods sold in the Indian markets of those days are found in the records of foreign travelers.

India was well known for its textiles one of the chief items of export. Textiles from Gujarat were sent to the Arab countries and to South-east Asia. Trade history of India also shows hardwood furniture, embellished with inlay work was a very popular item for expert. Although the expensive carvings and inlays were inspired by the ornate Mughal style, the furniture was

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modelled on the European design. Carpets were used both in ancient and medieval India. But the skill of carpet weaving touched new heights during the 16th century. A larger variety of ornamental work in cut stones, ivory, pearl and tortoise shells were produced in South India. Pearl fishing was a major industry here. Indian arts and crafts patronized by Indian rulers, were unmatched for their beauty and skill and were very popular in the European countries. River routes also promoted trade between different parts of the country. India's exports were seen too far exceed her imports both in the number of items as well as in volume. Arab traders shipped Indian goods to European countries through the Red Sea and the Mediterranean ports. With huge earnings from her exports of various commodities, the state coffers were amply stocked with gold and silver.

II. China

China's and India's GDP growth rates have outperformed world average growth rates and, indeed, those of other lower and middle income countries for the most part of the last 15 years. China has grown at an average rate of close to 10% annually during 1990-2006; a rate at which income more than doubles every seven years. Although regarded as a success, India's performance was less spectacular than China's with an approximate rate of growth of 6% annually. The growth of world economy in the corresponding period amounted to approximately 3% annually.

As pointed out by the World Bank (2007), the two countries now account for 37.5% of world population and 6.4% of the value of world output and income at current prices and exchange rates; as their per capita production and consumption approach levels similar to those of today's developed economies, as they are indeed already doing (see Figure 2), major effects on global markets and resources can be expected. Indeed, this has already been happening for some time with the great influence of China's demand and supply on the world markets observed since the beginning of the 1990s.

India's influence on world markets, despite the several successful stories of individual companies or sectors, has been more limited so far (see Figure 3) but the potential is clearly there (e.g. Lehman Brothers, 2007). In fact, one could argue that because of the more organic 74 way the economic growth is being achieved in India the achievements are more sustainable. While China and India are both very populous, both have a history of central planning and inward oriented policies and both are poorer as compared to the OECD area, they are in fact two quite different countries with diverging development opportunities and challenges. Some of these broad differences are revealed in Table 1 which compiles a list of selected resource, geographical and economic indicators. Taking a bird's eye view at the two economies India is closer to Europe in terms of geographical distance by some 1500 kilo meters (and yet closer if a sea distance is considered) while China is closer to the United States by some 700 kilo meters and to Japan by some 3750 kilo meters. Culturally, because of the past colonial links with the British Empire and the widespread use of the English language India is much closer culturally to both the EU and the US, while China can be considered closer to Japan. Both countries are very large in terms of surface and population and are quite diverse geographically and ethnically. China has almost three times as much agricultural land as India does but India's arable land resources are larger than those of China by almost 60%. India's population and labour force are growing much faster than China's, including the skilled segment of the labour force.

Despite relatively similar populations, China's economy is almost 3 three times bigger than India's and the Chinese GDP per capita in purchasing power parity terms is double that of India. These and many other differences, including the scale and scope of economic policy reforms, are reflected in the rather distinctive development paths that the two economies have been following as well as in their distinctive trade profiles. While in both China and India the share of agriculture in GDP has been declining, its place has been taken primarily by manufacturing in China and by services in India. As a result in 2006 services accounted for 56% of India's GDP compared to 41% in China. This is also mirrored in the trade developments. India quite clearly has not been able to match China's conquest of the world's goods markets, even though recently more dynamism has been observed in certain segments of the Indian manufacturing sector (Lehman Brothers, 2007). Yet, for some time now, the developments in India's services sector have generated trade flows that are more comparable to those of China in absolute terms and are much higher than in China if we account for the economy size. Evidence is also mounting that the product composition of these two economies' trade is quite different and that, for the moment, the two enormous economies are not competing directly in the world markets.

The analysis in the preceding sections demonstrates that international trade will remain probably the single most important factor that can allow China and India to continue, or perhaps even speed up, the growth enjoyed in the last decade. Indeed, the projected expansion of the world economy implies close to 500% cumulated growth in volume of exports of both these countries. The comparison of the key features of trade integration processes and the economic outcomes of China and India reveals that while much has already been achieved in both these economies in terms of opening up, the Chinese reforms, especially with respect to manufacturing trade, have gone further and that this is likely one of the key determinants of better economic performance of China. Of the two countries, China is probably the example to be followed but China's integration process so far remains characterized by a certain duality.

On the one hand the opening up of trade and FDI in manufactured goods has spurred the emergence of a largely private sector. On the other hand the high level of public ownership and important regulatory barriers continue to dominate the services sectors. The full implementation of China's GATS commitments would imply significant reforms and liberalisation measures with important gains for China and many of its trading partners. India has gone a long way in reducing its tariffs on non-agricultural products as well as certain non-tariff barriers but moderate protection still persists which likely adds to the costs of intermediate inputs and thus to the hurdles faced by the Indian manufacturing sector. India has revealed a comparative advantage in certain segments of the services sector, but its services trade policy is still very restrictive, even as compared to China. The extent of liberalisation achieved so far and the outcomes it brought about suggest that the remaining goods and services trade barriers are just one item on the list of reforms that India needs to tackle in order to promote trade-led expansion of labor-intensive activities.

Other important priorities include reforming small scale industry policies that prevent realisation of economies of scale and productivity increases in the sector; relaxing of labour market rigidities that hinder the inter-industry and interstate labour mobility and underpin misallocation of resources across industries and states; tackling infrastructure bottlenecks; reducing regulatory differences across states.

III. Japan

India is developing into an open-market economy, yet traces of its past autarkic policies remain. Economic liberalization measures, including industrial deregulation, privatization of State-owned enterprises and reduced controls on foreign trade and investment, began in the early 1990's and have served to accelerate the country's growth, which averaged under 7% per year since 1997. India's diverse company encompasses traditional village farming modern agriculture, handicrafts, a wide range of modern industries, and a multitude of services. Slightly more than half of the work force is in agriculture, but services are the major source of economic growth, accordingly for nearly two-thirds of India's output, with less than one-third of its labour force India has capitalized on its large educated English-speaking population to become a major exporter of information technology services, business outsourcing services, and software workers. In 2010, the Indian economy rebounded robustly from global financial crisis-

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in –large part because of strong domestic demand and growth exceeded 8% year-on-year in real terms.

However, India's economic growth began slowing in 2011 because of a slowdown in Government spending and decline in investment, caused by investor pessimism about the Government's commitment to further economic reforms and about the global situation. High international crude prices have aggravated the Government's fuel subsidy expenditure, contributing a higher fiscal deficit and a worsening current account deficit. In late 2012, the Indian Government announced additional reforms and deficit reduction measures to reverse India's slowdown, including allowing higher of foreign participation in direct investment in the economy. The outlook for India's medium-term growth is positive due to young population and corresponding low dependency ratio, healthy savings and investment rates, and increasing integration into the global economy. India has many long-term challenges that it has yet to fully address, including poverty, corruption, violence and discrimination against women and girls, an in efficient power generation and distribution system, ineffective enforcement of intellectual property rights, decades-long civil litigation dockets, inadequate transport and agriculture infrastructure, limited non-agriculture employment opportunities, inadequate availability of quality basic and higher education and higher education, and accommodating rural-to urban migration.

In the years following World War II, government-industry cooperation, a strong work ethic, mastery of high technology, and a comparatively small defence allocation (1% of GDP) helped Japan develop a technologically advanced economy. Two notable characteristics of the post-war economy were the close interlocking structures of manufacturers, suppliers, and distributors, known as keiretsu, and the guarantee of lifetime employment for a substantial portion of the urban labor force. Both features are now eroding under the dual pressures of global competition and domestic demographic change. Japan's industrial sector is heavily dependent on imported raw materials and fuels. A small agricultural sector is highly subsidized and protected, with crop yields among the highest in the world. While self-sufficient in rice production, Japan imports about 60% of its food on a caloric basis. For three decades, overall real economic growth had been spectacular - a 10% average in the 1960s, a 5% average in the 1970s, and a 4% average in the 1980s. Growth slowed markedly in the 1990s, averaging just 1.7%, largely because of the aftereffects of inefficient investment and an asset price bubble in the late 1980s that required a protracted period of time for firms to reduce excess debt, capital, and labor. Modest economic growth continued after 2000, but the economy has fallen into recession three times since 2008. A sharp downturn in business investment and global demand for Japan's exports in late 2008 pushed Japan into recession. Government stimulus spending helped the economy recover in late 2009 and 2010, but the economy contracted again in 2011 as the massive 9.0 magnitude earthquake and the ensuing tsunami in March disrupted manufacturing. The economy has largely recovered in the two years since the disaster, but reconstruction in the Tohoku region has been uneven.

Newly elected Prime Minister Shinzo has declared the economy his government's top priority; he has pledged to reconsider his predecessor's plan to permanently close nuclear power plants and is pursuing an economic revitalization agenda of fiscal stimulus and regulatory reform and has said he will press the Bank of Japan to loosen monetary policy. Measured on a purchasing power parity (PPP) basis that adjusts for price differences, Japan in 2012 stood as the fourth-largest economy in the world after second-place China, which surpassed Japan in 2001, and third-place India, which edged out Japan in 2012. The new government will continue a longstanding debate on restructuring the economy and reining in Japan's huge government debt, which exceeds 200% of GDP. Persistent deflation, reliance on exports to drive growth, and an aging and shrinking population are other major long-term challenges for the economy.

IV. KOREA

Following the Global financial crisis of 2007–2008, the Korean economy contracted by 4.6% in fourth quarter as compared to the third quarter of the same year. Ironically, the reforms in trade policy that were adopted previously affected adversely during that time. The liberalization of the capital market and the shift to free – floating exchange rate regime made it easier for foreign investor and speculators to withdraw capital from the Korean capital market, thereby worsening financial stability.

After the global financial crisis of 2008, Korea embarked on new policy focuses on the need to address domestic shortcomings and to increase transparency, accountability, flexibility and the overall competitiveness of the economy through continuous participation in international cooperation, focusing globalization driven by the market and transformation to knowledge based economy[2].

As a trade-oriented country and a member of WTO, Korea has become a strong supporter of multilateral trade liberalization. Korean government also claims that quick recovery from the global financial crisis of 2008 has been possible because of multilateral trade agreements[3] Until

[2] Doo-yun, H. (2001). Korea's International Trade Policy in the Global Age. East Asian Review, 13 (3), 3–20.
[3] KOREA, R. O. (2012). Trade Policy Review. World Trade Organization, Trade Policy Review Body. World Trade Organization

recently Korea remained as one of the few WTO member countries without any bilateral or regional FTAs[4].After the success in multilateral trade agreements, Korea is now engaging herself in FTA since 2003. By entering into FTA, Korea will have access to new markets around the world. FTAs reduce costs such as tariff and non tariff barriers. FTA increase the competition and thereby improving the efficiency in the market and increase consumer welfare by bringing down the prices of imported goods, as well as by diversifying consumers' choice. Other factors like Korea's own internal demand such as its high dependence on foreign trade, the need for securing of export markets and accelerated opening and restructuring of the Korean economy also complimented the decision of Korea to go for FTAs. It would be difficult to assess their impact on Korean economy because these agreements have entered into force recently and we have to wait for empirics for the same.

Trade policy of South Korea. In 1945 Korea was liberated from the Empire of Japan at the end of World War II. A destructive drought in 1958 forced Korea to import large amounts of food grains. In 1950, the Korean war (a war between the Republic of Korea and the Democratic People's Republic of Korea) broke out, which destroyed more than two-thirds of the nation's production facilities and most of its infrastructure. Trade policy of South Korea has taken many shifts, from import substitution to globalization and there has been significant impact on the economy for the same.

India and South Korea have agreed to work on upgrading the existing bilateral comprehensive economic partnership agreement (CEPA) to ensure better utilisation of the current provisions and expand the number of items covered under the pact. Commerce and Industry Minister Suresh Prabhu and his South Korean counterpart Hyun Chong Kim also agreed to cooperate in the fields of standardisation and conformity assessment and developing mutual recognition agreements in a recent meeting in Seoul. "Both Ministers agreed to work towards finalising the CEPA upgrading negotiations at the earliest, if possible within 2018," a government official said.

Indian businesses have not been able to satisfactorily utilise the CEPA with South Korea, which allows market access for large number of items duty-free or at low import duties, because of a number of issues including stringent rules of origin norms. "The existing rules need to be tweaked so that the Indian industry is able to utilise the concessions extended under the CEPA. The review needs to urgently address this issue," the official said.

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[4] Sohn, C.-H. (2001). Korea's FTA Developments: Experiences and Perspective with Chile, Japan, and the US. Regional Trading Arrangements: Stockage and Next Steps. Bangkok: PECC

Expanding CEPA - Both countries also want to expand the coverage of the CEPA. While India wants greater market access for a number of industries including IT, education and healthcare, South Korea is keen on more concessions for items such as steel, beauty products and household appliances, the official added. South Korea is also likely to ease visa requirements to enable Indian teachers to teach in Korea under the English Program in Korea initiative. The bilateral trade between South Korea and India, which stood at $16.8 billion in 2016-17 is skewed in South Korea's favour with the country exporting goods worth $12.58 billion during the year. To give a push to investments, the two Ministers agreed to consider favorably the requests made in the joint committee meeting related to investment cooperation between the two countries.

V. North korea

India recently imposed fresh restrictions on trade with North Korea in line with the restrictions imposed by the United Nations, DGFT said on Wednesday. According to a notification of the DGFT in the commerce ministry, "supply, sale, transfer or export" of crude oil will be subjected to the restrictions imposed by the UNSC. The trade restrictions on helicopters have now also been extended to new or used vessels. North Korea is facing sanctions for pursuing its nuclear programme from the UN and the US. Certain curbs have also been imposed on export of industrial machinery, iron, steel and other metals, the notification said. New restrictions have been imposed on import of food and agricultural products, electrical equipment and stone, among others from North Korea. In October last year, the DGFT had imposed restrictions on trade in condensates and natural gas liquids, refined petroleum products. The bilateral trade between India and North Korea declined to USD 133.43 million in 2016-17 from USD 198.78 million in the previous financial year.

VI. USA

United States trade policy has varied widely through various American historical and industrial periods. As a major developed nation, the U.S. has relied heavily on the import of raw materials and the export of finished goods. Because of the significance for American economy and industry, much weight has been placed on trade policy by elected officials and business leaders.[5] The 1920s marked a decade of economic growth in the United States following a Classical supply side policy.[6]

[5] "World Business Leaders Urge Trade Ministers To Seize The Opportunity to Resurrect the Doha Round - Trade Resource Center - Business Roundtable". 3 January 2006. Retrieved 15 March 2018.
[6] Joseph A. Schumpeter, "The Decade of the Twenties", American Economic Review vol. 36, No. 2, (May, 1946), pp. 1–10.

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U.S. President Warren Harding signed the Emergency Tariff of 1921 and the Fordney–McCumber Tariff of 1922. Harding's policies reduced taxes and protected U.S. business and agriculture.[7] Following the Great Depression and World War II, the United Nations Monetary and Financial Conference brought the Bretton Woods currency agreement followed by the economy of the 1950s and 1960s. In 1971, President Richard Nixon ended U.S. ties to Bretton Woods, leaving the U.S. with a floating fiat currency. The stagflation of the 1970s saw a U.S. economy characterized by slower GDP growth. In 1988, the United States ranked first in the world in the Economist Intelligence Unit "quality of life index" and third in the Economic Freedom of the World Index.[8]

Over the long run, nations with trade surpluses tend also to have a savings surplus. The U.S. generally has developed lower savings rates than its trading partners, which have tended to have trade surpluses. Germany, France, Japan, and Canada have maintained higher savings rates than the U.S. over the long run.[9] Some economists believe that GDP and employment can be dragged down by an over-large deficit over the long run. Others believe that trade deficits are good for the economy. The opportunity cost of a forgone tax base may outweigh perceived gains, especially where artificial currency pegs and manipulations are present to distort trade.[10]

In 2006, the primary economic concerns focused on: high national debt ($9 trillion), high non-bank corporate debt ($9 trillion), high mortgage debt ($9 trillion), high financial institution debt ($12 trillion), high unfunded Medicare liability ($30 trillion), high unfunded Social Security liability ($12 trillion), high external debt (amount owed to foreign lenders) and a serious deterioration in the United States net international investment position (NIIP) (−24% of GDP), high trade deficits, and a rise in illegal immigration.[11]

These issues have raised concerns among economists and unfunded liabilities were mentioned as a serious problem facing the United States in the President's 2006 State of the Union address. On June 26, 2009, Jeff Immelt, the CEO of General Electric, called for the U.S. to increase its manufacturing base employment to 20% of the workforce, commenting that the U.S. has outsourced too much in some areas and can no longer rely on the financial sector and consumer spending to drive demand.[12]

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[7] "The Harding/Coolidge Prosperity of the 1920s". Calvin-coolidge.org. Archived from the original on 2009- 03-12. Retrieved 2009-03-30.
[8] Star Parker (December 17, 2012).
[9] "The shift away from thrift". The Economist, April 7, 2005.
[10] Bivens, Josh (September 25, 2006).China Manipulates Its Currency – A Response is Needed. Economic Policy Institute. Retrieved on February 2, 2010.
[11] Cauchon, Dennis and John Waggoner (October 3, 2004). The Looming National Benefit Crisis USA Today
[12] Bailey, David and Soyoung Kim (June 26, 2009).GE's Immelt says U.S. economy needs industrial renewal. UK

Today the United States' largest trading partner is Canada. China has seen substantial economic growth in the past 50 year and though a nuclear-security summit that took place in early 2010 President Obama hoped to insure another 50 years of growth between the two countries. On April 19, 2010, President Obama met with China's President Hu Jintao to discuss trade policies between the two countries.[13] Though the US trade deficit has been stubborn and tends to be the largest by dollar volume of any nation, even the most extreme months as measured by percent of GDP there are nations that are far more noteworthy. Case in point, post 2015 Nepal earthquake, Nepal's trade gap (in goods & services) was a shocking 33.3% of GDP although heavy remittances considerably offset that number. According to the US Department of Commerce, January 27, 2017 report, the GDP "increased 4.0 percent, or $185.5 billion, in the fourth quarter of 2016 to a level of $18,860.8 billion."[14]

In November 2010, Obama became the second US President (after Richard Nixon in 1969) to undertake a visit to India in his first term in office. On 8 November, Obama also became the second US President (after Dwight D. Eisenhower in 1959) to ever address a joint session of the Parliament of India. In a major policy shift, Obama declared US support for India's permanent membership on the UN Security Council. Calling the India-US relationship "a defining partnership of the 21st century", he also announced the removal of export control restrictions on several Indian companies, and concluded trade deals worth $10 billion, which are expected to create and/or support 50,000 jobs in the US.[15] But in recent times some changes happened in trade policy between both the countries, after the BJP Government came into the ruling.

VII. CONCLUSION

Whether the Nation and its subject were really need the imported items for their livelihood or addicted to such things? More probably no, we think that India is gaining success in Foreign Trade Policy, I would like to say no for the afore said statement, because the ultimate aim of the Nation and pledge & promise of the Constitution is State ought to protect its subjects with quality food, employment and protection to his life with liberty. But contrary to that State even without providing food to all exporting and importing food products and unnecessarily dumping the foreign products in our country and led our society to the devastation. For

Guardian.. Retrieved on June 28, 2009. Archived August 15, 2009, at the Wayback Machine.

[13] Division, US Census Bureau Foreign Trade. "Foreign Trade: Data". Census.gov. Retrieved October 4, 2017

[14] Bureau of Economic Analysis (BEA) (January 27, 2017), "National Income and Product Accounts : Gross Domestic Product: Fourth Quarter and Annual 2016 (Advance Estimate)", US Department of Commerce, retrieved February 24, 2017.

[15] Reynolds, Paul (8 November 2010). "Obama confirms U.S. strategic shift towards India". BBC. Retrieved 8 November 2010.

example, the best and quality worth products exported to foreign countries and quality less products were distributed among the people, and we are also not aware of the fact, if any person arise any question regard to that, they will be put to serious hardships. My suggestion is that the Foreign Trade Policies has to be prepared only after considering its benefit to every single citizen of the Nation, because in case if any adverse decision taken in that, it will sure affect the downtrodden and middle-class people.

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