INTERNATIONAL TRADE LAW

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INTRODUCTION

International economic law is field of International law that legalizes the behavior and conduct of sovereign states in international economic relations, international organizations and firms concerned with cross border and business transactions and are operating in the international arena. It regulates the international economic order or relations amoung nations It's a sub discipline of International Law. Economic laws refer to the policies of the government to govern the economic environment. They include trades policies, fiscal policies taxation and monetary policies etc. It includes:-

- Regional Economic Integration (Law of European Union, NAFTA and Domestic trade laws)
- International law and development
- Private International Law international choice of law, choice of forum, enforcement of judgments
- International Financial law(private transactional law, regulatory law, FDI, monetary laws etc.)
- International trade law (includes WTO and GATT)
- International business regulations (includes antitrustor competition law environmental regulations and product safety regulation)
- International Tax Law
- International Intellectual Property Rights

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International law is based on few ground concepts they being:

- Pactusservanda
- Freedom,
- Sovereign Equality
- Duty to co operate

International trade law:

It is body that provides rules and guidelines for carrying our trade exchanges between different countries. It is based on trade agreements between different countries inform of bilateral trade agreements , regional trade agreements and multinational trade agreements. Other than common body that provides guidelines to regulate international trade every country has it's own trading policies related to exports and imports like India foreign policy and EXIM policy .

The article focuses on the topic International Trade law under International economic law. The aim of article is showcase the role international trade in relation to WTO in India and how has India to benefit under foreign trade and how china has been better player in international trade Indian trade prospects and problems Indian economic policies reforms and its global competiveness.

<u>THE HISTORICAL EVOLUTION OF INTERNATIONAL TRADE</u>

International Trade a part of International Economic policy traces its history back to the ancient times where major part of society was agrarian and nations were small city states. Agriculture formed the main part of the economy, states encouraged trade, production and manufacturing that formed part of money making occupations and basis for the state. Increase in foreign sales lead to increase in manufacturing industry which increased foreign trade. Foreign sale and accumulation of wealth was improved by the way of maximum for export and minimum for domestic consumption and labor was exploited to upmost. Production gained much more importance by benefits of free play of the market, industrial revolution and welfare of the individual. Revolution was noticed by increase in consumption and population , reduction in resources and rise in need for technology.

17Th century Europe witnessed development and migration of people. With thedevelopment of modern science, technical and scientific knowledge raised the production levels, non agriculture pursuits were given their share of importance, increase in income per capita, shift in production from agriculture etc. Developed world noticed surplus in their economy. This advancement of science and the few nations developed rift among nations, the underdeveloped countries were caught in the vicious circle of overpopulation, poverty, disease and malnutrition. Before the World War startedcountriesNorth and South America, Europe etc these states emerged as largest supply for capital until the great depression 1930's when world trade contracted the intervention of government in foreign trade that also changed its pattern. World War I and II division of rich and poor countries persisted, population bloated ,increased a lot of pressure on underdeveloped countries. A need for change in the trade for underdeveloped was required as national incomes were running low, imports increased , currency manipulations and restrictions on trade as international dependent on these factors and for underdeveloped countries to survive the change was inevitable in way of liberalizing trade, setup monetary systems, and trade organizations. The world was then in process of transformation after world war II and fear of cold war had subsided . During 1948 in Geneva GATT(General Agreement on Tariffs and Trade) was established to pursue the objective of free trade to encourage growth and development of member countries. In 1994 Urguay Round of Trade Negotiation a new rule based trading system with a new apex body called WTO(World Trade Organization)equipped with the power and authority to enforce rules,norms,laws and commitments took birth in 1995. Before the birth WTO the international trade was governed by the rule of GATT that did work effectively as it could not resolve and absorb the complexities in the international trade. Major reason for birth of WTO was to solve the problems that GATT could not , GATT did not encourage multilateral trade, assumed extreme significance to big players like USA ,UK and European Countries and system of fair and equitable trade. The wave of globalization had hit the countries and opened a new chapter in International Trade. Globalization involved not only opening of world market but also the integration of developing countries into the world market and trade. In view of the fact the economic history of the world from the 16th century has dominated by the countries of Asia, Latin America, Western European Nations, USA and Japan, it was with disintegration of Roman empire European economies suffered countries like Italy, Netherlands grew through foreign trade. Large monopolies of British were established through the years of World Wars and slowly USA established itself as powerful Nation (first world) as the many European countries were demolished and paved way for the nations like UK and USSR(second world). These economies noticed continuous accumulation of profits and capital. The Japan lone Asian nation slowly was seen as a competitor to the USA, world then been divided into three blocks USA, USSR and the Third World nations of Asia, Africa and Latin America. The international trade observed transaction from these third world countries which were still developing but were opening up to the models of Liberalization, Privatization and Globalization. The trade took a different turn from then exports and import business increased all over the world as now world economy was opening as the countries were trying to integrate to the international trade.

INTERNATIONAL TRADETHEORIES

On review of literature on theories of international trade has showcased the fact that it is on similar lines with the theories of economic development that focused on role, process, causes and limit of development subject to the experience ofindustrial nations rather than the change of social-economic system through which economy developed. The theories of trade are isolated development theories that apparently seen in the literature. The Major defect of trade theory being the treatment of export sector as external sector only.

[2]The topic of international trade has observed a continuousandthorough development. Trade theory performs majorly three main functions they being:

a. What commodities a country can export and import?

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[2]Patil ,L.T(1970) “The Evolution and Growth Patterns of International Trade”, The World Press, Calcutta, pp 13-15

b. What should be the prices at which these commodities will be exported or imported (terms of trade)?

c. What are the gains from the trade to the country?

As we analyze the trade theories further we can notice that no single theory can answer all the three questions properly and trade theories since 1776 when Adam Smith's book Wealth of Nations has been published to today trade theories. [3]The book focused on concept of free trade, mutual benefits through the trade and principle of Absolute Advantage with aim to maximize wealth of trading nations. The concept he believed and potrayed in his book was that every nation shall trade those items that one country lacks in or what the other country can supply us at cheaper rate than we produce it in exchange of produce of one's industry in way that is beneficial and as long this advantages persists in the trade,it shall be beneficial for both the trading partners. Smith put forth the argument that trading nations will benefit under free trade Lassiez-Faire and any disturbance in the flow of trade shall disrupt the allocation of resource and devoid the world community from opportunity to enjoy the potential gains of the trade. He portrayed the importance of specialization by improving and expanding the market through foreign trade.free trade

[4]David Ricardo emphasized the "Principle of Comparative Advantage" in his book "Principles of Political Economy and Taxation" that talked about that one country is more efficient than the other in lines of production. When one country's focus is on what one can produce more efficiently than the other and specializes in it then nation gains comparative advantage and in which the total world output increases as countries become better off. He points out the distinction between the technologies and demand conditions as factors of trade. He believed in the concept that the various forces of trade shall automatically adjust to equilibrium position and balance the trade. His findings on laws that govern the flow and movement of money with the use of ebb and flow was remarkable contribution by him.

[3]Smith,Adam (1776)" The Wealth of Nations everyman's Library"J.M. Dent & Sons Ltd., London, pp 424-426
[4]Rist&Gide (1959) "A history of economic doctrines" p.178

[5]John Stuart Mill in his book “Principles of Political Economy”(1848) discussed International Trade. He elaborately discussed about trade and raised contention that in international trade the ratio of cost of production cannot determine the ratio of exchange between the two commodities. Law of equations determines the values in trade. It is compared to the law of demand and supply. Nations exchange commodities because such exchange is beneficial for trading nations and quantities exchanged are determined by the law of demand and supply and these may vary with change in ratio of exchange.

[6]H-O model- Heckscher and Ohlin model relied on four basic pillars:

- H-O theorem: production patterns and export patterns determined by relative factor endowments.
- Samuelson’s theorem: with given factor of endowment, a rise in the price of the factor which is used intensively reduces price of other factors.
- Rybezynki theorem: given product prices rise in endowment of one factor increases the output which uses that factor intensively.
- The factor price equalization theorem: under certain conditions perfect mobility of goods in sufficient to equalize factor prices evenif some factors they are immobile.

This model relies on aspects of trade like positive normative and welfare that depend on Meta Economic Criteria.

[7]The new technology school:

When there is a broad local market available the exports of manufactured products of a country automatically increase. The above stated theories have assumed that technology remains stable but in reality technology changes from time to time and this when in seventies the new technology school emerged so as to elucidate the trade patterns that emphasizes monopolistic competition. This school focuses on three major formulations:

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[5]Tayler, O.H, “ A history of economic thoughts”, Chap. XVIII, Sec- 4
[6]Leontief, W. (1953) “Domestic Production and Foreign Trade: The America Capital Position Re- examined “, EconomiaInternazionale, Vol., pp. 3- 32
[7]Panchamukhi, V.R (1994) “ Recent Development in Trade and Practise” IEJ, Vol. 41, No. 3

- The differences in the scale economies as between the products and between the trading nations as important factors of trade flows.
- It pronounces the importance of the stages of production hypothesis under which the degree of sophistication in technology achieved by a country at particular stage of development
- Major formulation in the new technology school maybe termed as the technology gap or the product cycle thesis.

The contention that this school propagates is that nations that undergo innovation and product diversification and differentiation at early stages shall have the comparative advantage in export of these products and countries that fail to do so shall export only standardized products.

[8] Since Early eighties various trade theories have been demanding the rationalization of ground realities and practicalities and the result is the so called strategic trade policy. This theory is based on the fact that product and factor market face a lot of difficulties that develop imperfections. A nation that develops a correct trade policy can attract a bigger share of profits by improvisation on welfare aspect of the nation. The theory becomes effective when strategic factors of choice of sectors, target sectors, a amalgamation of policies and tariffs and proper timing interventions and sequencing are satisfied.

[9]Modern Theory of International trade it's a result of many factors like

- The changing economic reforms i.e. Privatization, liberalization and globalization
- Incapability of proper economic theoretical construction that is based on scale of constant returns, perfect competition that replicate signs of realities
- Economy of India underwent a huge change since the 1991. It has got in the concept of "level playing field" between its local or domestic firms and foreign firms.

The change in modern era force people to rethink about the trade theories the international Trade is based on as the nature of world trade has undergone significant changes that is no more mere

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[8]Panchamukhi, V.R (1994), op. cit
[9]Brahmnanda, P.R (1998) " New Drifts in International Trade Theory " Indian economic journal, Vol.45, N0. 3

exchanges standards but involves more to it but at the same time the historical review of international trade cannot be ignored as the trade acquires it base from the history. [10]There five most important perceptions to it

- The Factor proportion theory is no more enough to elucidate the realities of trade of today
- Their has been a significant structural change in nature of world trade where it now has inter and intra firm trade industries and their supremacy over trade whose products are high knowledge and technology based who have now surfaced to be new growth sectors.
- The rules of game are more flexible and economically based, that is international trade relations have changed over the period
- Policy innovations and strategic policies towards target sectors are regarded as better intervention in the field of trade that fit into today reality of imperfect competition , high tech products etc.
- The trade system today faces more complex challenges than before.

INTERNATIONAL TRADE AND INDIA

As we know trade plays a significant role and fosters economic growth and development. It creates factors to move so as to benefit from fruits of trade but its role has always been a matter of dispute as to its positive or negative effects on the country, so we see three different viewpoints of this one being the economists who believe in its negative effect as being a tool to exploit the poor (poor nations) ,second being not over its positive or negative effect but neutral which says that one should look inward and deal with their problems and fin solutions on their own and third being where its regarded as "engine of growth" the positive side.

Foreign trade and capital of a country constitute the country's external sector. International trade has been growing over years be it the volume or trade or integration of countries by participating

[10]Bhagwati J.N (1998), "A Stream of Window: Unsetling Reflections on trade, Immigration and democracy " Cambridge Mass, MIT Press

in International trade. International trade affects the economy of the countries, to trade the country has formulate and amend policies that will support trade and also protect them from discrepancies that follow such activity. Economic policies, trade policies of export and imports, policies relating to establishment of industries, FDI, tariffs etc. Our economy opened to the LPG model (liberalization, privatization and globalization) which paved way for India to be a part international trade. We were just recovering from financial crisis in 1990's when the new economic policy was formulated in 1991. International trade encouraged privatization, investments to the country, in way developed small scale industries that play a major role in exports of goods, expanding markets locally, nationally and internationally provided employment, invited infrastructure in form of capital our per capita incomes levels, GDP, Purchasing power parity started to rise, inflation was being controlled all these lead overall economic growth and development of country. The above mentioned impacts are the positive effects or benefits of international trade to Indian economy.

As the saying goes that every act has pro and con, so we do have the Ill effects of international trade on country i.e. people. It always been debate that international trade maynot always lead to growth it may affect the poor people.

The advantages of international trade have not been successful to reach the poor and developing nations .

- They generate additional employment and incomes in economy but we still notice that their is deficit in participation of low income people in sectors that's help trade to expand.
- Unorganized sector in India that provides employment to a lot of low- income people is affected as organized sectors seeks to absorb all the labour through exports and reduction of displacement of labour.
- Gains of trade have gone mostly to developed nations
- The incapability of industries governed by the government to compete with global counterparts has denied them opportunity to reap benefits of trade.

International trade leads to economic growth an development of countries orovided the policies and infrastructure are supportive to cope with changed in social and financial scenario.

WORLD TRADE ORGANIZATION

ROLE OF WTO IN DEVELOPING COUNTRIES

Developing countries like India had to make a tough call in deciding if they should become a member of the World Trade Organization and the main reason for the same being that while WTO ostensibly offers various merits it also exposes to a number of adverse circumstances. But the harsh reality showed the countries that they did not have any option than to be a member of the same. These difficulties included restrictions on liberty of codifying domestic policies to fulfil the specific social and economic needs.

WTO ensures an advance towards globalization and liberalization which aims and tends to accelerate the economic growth. This seems to be a straightforward ideology but could prove to be tedious if not continued judiciously. Moreover, a developing country proceeding on this path should have sufficiently strong economy in order to accept the reforms. WTO aims at developing the export markets as it enhances the growth multipliersand for the same it seeks to provide a better outlook for seeking and developing new export markets and sources of inputs in addition to intensify traditional export markets.

Though WTO ensures a big-enough target yet it carries with it certain demerits that affect the member developing country adversely. One of the major reasons for the same being that WTO requires a primarily market-oriented economy which proves to be a limitation for the developing and poor countries which face the issues like mass poverty. To add on a country opting to be a member of the organization do not have the option of choosing their terms and conditions and leave out the others. Instead they have to accept all the terms in totality giving the others full authority to determine the pace and the circumstances in the path of pursuing globalization and liberalization. It also has to adapt to the changing and the competitive market to absorb the maximum benefit solely by strengthening its economy. Another point of deadlock is posed by the developed countries that tend to pursue double standards and keep promoting new issues for inclusion into agenda of diplomacy. This asks the developing members of the WTO to formulate certain safeguarding solutions to play and cope up in the uneven playing field.

In the attempt of safeguarding its social interests and to attain the best results out of the volatile situation, developing countries like India should come up with the essential safeguards. The most of important of them should be to devise and implement the Indian reforms in harmony with the resilient economy in a pace which is neither too fast nor too slow as one would be disruptive in nature and the other would result in a potential loss from the reforms. It should take special note of the social interests of the country like removal of poverty, high level of employment generation and strengthening the economy fundamentally. India should take the step forward to bring all the developing countries together in the fight of safeguarding their economic interests as a whole. The futuristic aim of India should be to become a covetable target for foreign direct investment and outsourcing so as to accelerate the growth multipliers and to reinforce its bargaining strength in the international negotiations in matters of economic efficiency and competitiveness.

ROLE OF WTO IN INDIA

In the late 1990s India joined GATT (General Agreement on Trade and Tariffs), WTO (World Trade Organization) and TRIPS (Agreement on Trade Related Aspects of Intellectual Property Rights) and gave away the economic sovereignty. New age of globalization commenced under the brand of the New Economic Policy 1991. At a later stage, India became a founding member of WTO in 1995 along with 119 other countries. At the initial stages developing economies like India had to encounter various challenges because of the new policy framework of the organisation in terms of trade, technology, investment flows and finance. Having a robust export position is one of the most important indicators of economic development for any country and for developing countries like India it’s a burdensome task. Prior to giving in SAP, India attempted to substitute industrialization with the dependency on concessional external debts, decent measure of protection to Indian industry , regulated technology import and FDI which strained India’s BoP. Statistics show that after India went in for foreign capital and machinery, Indian exports could barely manage 62 percent of the value of imports which was way lesser that 94 percent that the country could manage prior to the change. This in turn impacted the foreign savings. The major reason for the failure being India’s policy of severe import restrictions, export promotion and import substitution and certain inflexible measure such as 37 percent devaluation of rupees in 1966.[11]The policy framework of WTO only facilitated the growth of imports in India and not the exports which in turn impacted the economic development of the country. The following data substantiates the same, following the reforms of 1991, India's export advanced at an average of 19.6 percent per annum in the span 1993 – 1996 but dropped drastically to approx. 2 percent in the span 1996 – 1998 whereas the imports doubled in the same span. Other member countries like Mexico and Japan too faced unsatisfactory results.

On the other hand, there are certain economists that oppose the motion that the policy frame of WTO was not responsible for decelerating India's economic growth but it was the New Economic Policy instead. They claim that all the key indicators of economic growth substantiate the above motion. The provisions of GATT and WTO impacted various sectors:

- Agriculture – In India the dependency on agriculture was for about two-thirds of the people at that point of time and could not afford stringent restrictions on the same. Before the Uruguay Round agriculture was exempted from some of the provisions in order to liberalize the trade in that sector but after that it was made a subject of negotiation. The main concerns of agriculture with respect to trade are domestic subsidies, public distribution system, patenting of seeds and giving foreign suppliers the access to Indian Markets. The International Convention for the protection of New Varieties of Plants (UPOV) exempted the farmers and breeders in regard to the monopoly rights of the patent which was later disregarded by the 1991 policy. It was such incidents that has led India to a situation where the service sector now dominates the economic structure and not the agricultural sector.

- Health – The WTO negotiations over the quality of health services in India, the prices of drugs, health insurance and the issue with patenting the drugs have left the health sector of India in dilemma. Then, India used to produce a remarkable range of drugs but at the lowest prices in the world. Later, as proposed by the Dunkel Draft which became the foundation of WTO, the patent holders used their monopoly to affect acute rise in the

[11]Jiwitesh Kumar Singh, *International Trade and Business – Emerging Issues and Challenges in the 21st Century,* 224(1sted, 2002)

drug prices. The health insurance too faces a number of loopholes. These factors, in turn, affected the economic growth.

- Other sectors being the labour sector and the environment sector.

The New Economic Policy 1991 and WTO together pose some opportunities and prospects in the arenas of trade technology, financial sphere and investment flow. These three arenas in the form of TRIPs, TRIMs and social causes poses both opportunities and challenges to the economy of India and other developing countries. The organization tends to optimize the trade relationship between the developed and the developing countries, particularly India. The significance of TRIMs and TRIPs can be judged in terms of patenting as well as the investment measures restating the trade. On the other hand, social causes deals with the labour empowerment of trade unions and management. The developed countries would by default try to dominate the developing countries for their own benefit and this is the reason why the developing countries shouldact in the favour of their own interest unitedly or individually.

Apart from the positives there are certain negatives that too are posed by the New Economic Policy of 1991 and WTO.TRIPs deals with the intellectual property rights like trademarks, copyrights, trade securities, industrial design , geographical indication, integrated circuits and patents which poses the main issue. In the international aspect it impacts the pharmaceuticals and agriculture. The harsh patent system by WTO, the call for modifications in the patent law of the country due to the nod to the agreement and the apprehension because of the monopolization and also hesitant increase in the prices of the patented product makes growth tough for the developing countries and India in particular.

TRIMs aims to make free and painless investments to move across international frontiers, considering the financial necessities of the developing countries. It challenges the maintenance labour standards in a developing economy.

THE BIGGEST COMPETITOR AND THREAT TO INDIA (China)

[12]Today as facts show that China is one country that dominates a vast share of the world's international trade being a developing country is the biggest threat to India. Prior to 1990s both India and China had similar developing strategies before the insulation of the world economy. India joined WTO in the year 1995 and China followed the same after six years, i.e., in 2001. Before the outbreak of First World War, India and China were on similar terms in regard to per capita and economic growth amounting to development as a whole, India's per capita was 40 percent more than per capita during the 1950s and by 1990s China matched up to India's competition. This led to the emergence of China as a domineering global power in the arena of modern international trade.

GROWTH AND DEVELOPMENT RATE OF INDIA AND CHINA IN TWO DECADEs

As the foregoing competition between the two countries, facts showcased that India surpassed China till 1990s. But post 1990s China proved to be a cut-throat competition to India's lead in the economic growth and share in the global trade.

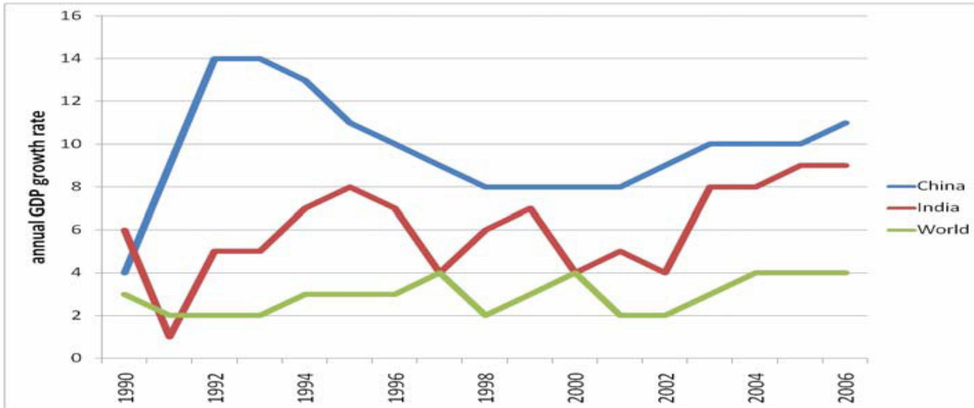
The research data and statistics, subdivided in two decades, namely 1990s – 2000 and 2001 – 2010, substantiate the information above. China has been reported to have a rampant performance in growth and development which was 10 percent on an average from 1990s to 2000 as compared to India's restrained performance which stood at 6 percent on an average due to the impasse experienced during the financial year 1991 – 1992. The range of growth rate varied from a moderate rate of 6 percent to an unsatisfactory rate of approx. 4 percent.[13]

[14]Figure1 Annual GDP growth rate china and india

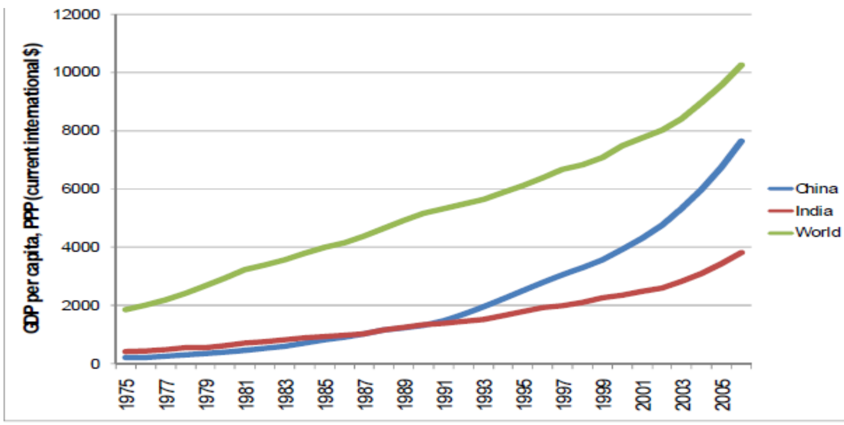
[12]Economic policy Reforms and the Indian Economy Chapter 3 in Anne o. Kreuguer,ed Chicago: university of Chicago Press:91-122

[13]www.econ.yale.edu/srinivas/Economic Performance

[14]Source: WDI



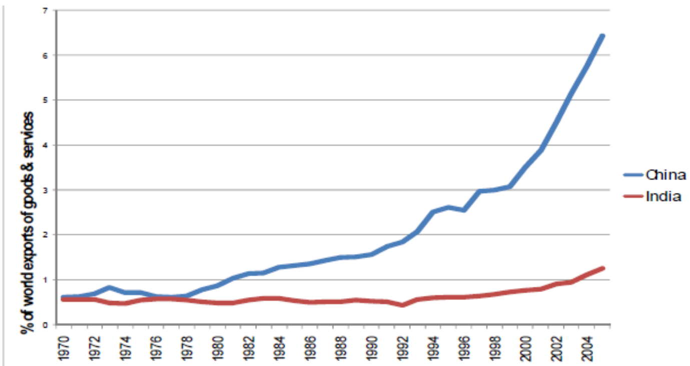
[15] Figure 2 GDP per capita in China and India 1976-2006



China has been unified to the world's economy and markets which has been the most notable economic development of recent decades with its competitive performance in ruling the export sector in international trade as compared to the other developing counter parts like India and Brazil. It posed a strong opposition to the domination of USA and Germany in International trade. The table below explains china's acquisition on world's trade.

[16]Figure 3 share in world exports china

[15]Source: WDI
[16]Source : WDI



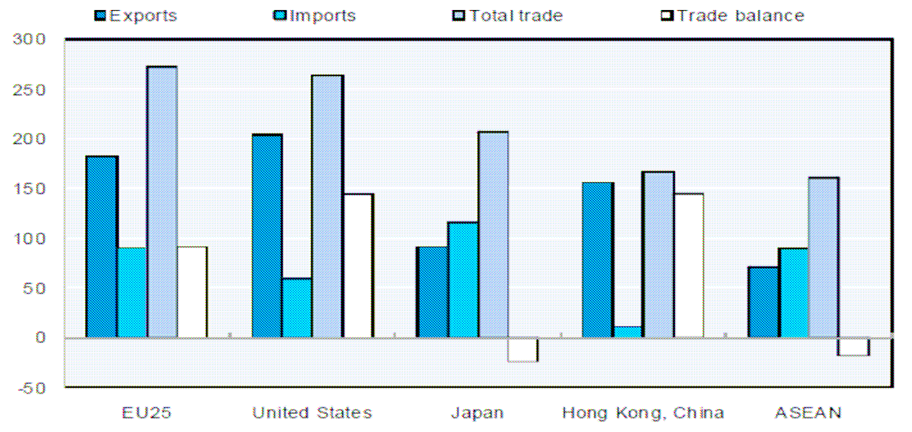
[17]Table 1 Trade in goods and services of China and World

		Goods		Services	
		World	China	World	China
Exports					
	1994	80	86	20	14
	2001	80	89	20	11
	2004	80	90	20	10
Imports					
	1994	79	85	21	15
	2001	80	85	20	15
	2004	80	88	20	12

Its exports in goods sector has drastically improved from 1% in 1970's to 8% in 2006. Its become one most striking place for FDI (Foreign Direct Investment). Its improvisation in export sector is noticed in both goods and service sectors. Its goods trade occupies about 90% of markets share and major contributors and its trading partners along with China being USA,EU(European Union) and Japan.

[18]Figure 4 china trading partners

[17] Source : IMF Balance of Payments Statistics (2006)
[18]Source UN COMTRADE, WDI



India's performance is often compare to China's it being a developing nation and history of India leading on china it terms of economic growth and development till 1990's. But India performance has been moderate in international trade. India's contribution to the world trade from a decent share in 1950's to sluggish performance till 1990's around 0.5% which rose to 1% later in 1990's and which currently just above 1%.India contribution has been as low as 2% to china's 20% of world trade. Service sector, as compared to the manufacturing sector, occupies a major share of india's international trade. India has proved to be a major global player as it focuses on the information techonology and business outsourcing coming under the head of service sector. The reasons for the incapability of the manufacturing sector to dominate the country's foreign trade are that the country lacks in trade of capital and intermediate goodsinspite of having abundance of skilled labour and capital. This sector's focal point rests on the export of low technological goods. On the other hand, china deals with the export of high technological products which creates a vast impact on the international trade of the country.

[19] Figure 5 India's GDP performance

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[20] Table 6 high tech export of India

	2000	2002	2004
Brazil	18.61	16.83	11.59
China	18.58	23.31	29.81
India	5.01	4.76	4.88

One of the major reasons for the success of China in being a sizable contributor to the global trade is the trade policy developments that the government undertakes. It seeks to make a shift from central planning to market based economy. The country's economic reforms, structural change and its simultaneous membership with WTO paved its way into the list of top players of world economy and world trade. Firstly, China widened its economy to a socialist market economy by removal of trade barriers, intellectual property rights, encourage foreign direct investment. Secondly,the reason for the progress of China is their reduction of import tariffs that aided the trade with its contemporaries. Thirdly, WTO accession in 2001 gave China a breakthrough by including certain policies like opening the service sector to foreign participation, removal of geographical constraints, kinds of establishments and purview of business activities. They extended their liberty by granting foreign service suppliers the rights to export and import with exceptions to those products related to state owned monopolies (oil and fertilizers). Fourthly, they discharged the restrictions imposed on foreign currency exchange and provision of local currency services to foreign firms. They eliminated favoritism related to ownership and entry of the foreign firms in the domestic market. Fifthly, the market focused in

[20] Source wdi

developing and opening up of five major sectors that are responsible for economic groeth and development of the country as well as our major contributors in export of goods and services that led it to be a better player than India in the field of global trade. The five sectors being:

- Banking Sector
- Insurance Sector
- Telecommunication Sector
- Distribution Sector
- Engineering Service Sector

Sixthly, China owes it success in the global market to its skill of assimilation of different semi-finished goods imported from other countries and converting them into a finished product and in turn exporting the same with its name to its trading partners.

Apart from the above mentioned positives there are indications that submit the course of integration of China which has been outlined by duality as the growth rate of the economy was extravagantly portrayed in the figures which have not been so in reality. In the yesteryears the countryspurred up to private investment in manufacturing sector and at the same time imposed regulatory restrictions on the service sector and encourage public ownership. The present span of time though China has been at the top in its contribution in international trade has shown a downward slope of about 3 percent which has raised doubts related to its survival in the future.

INDIAN GLOBAL COMPETITIVENESS

Post World War II period as the world economy was recovering from the economic crisis, the developed nations were pacing up their economic engines, the global economy observed the role of new developing economies in the global market who have been major contributors for world's economy's recovery. The developed nations as USA,Japan and Canada grew at considerate rate the developing countries increased their competiveness at higher pace this resulted in strengthening the affiliation between the developed and developing nations.

These developed nations that are looked upon as examples by developing nation in terms of growth and competiveness, many of them have a tail of risks attached to them as USA in particular did not fall of the cliff and vagueness in Europe due to its breakdown of EU and fears in China regarding its credit crunch and survival.There exist grave tasks for the policy makers to ensure public finances for long term sustainability.

There are twelve main pillars that define competiveness which involves concepts and an understanding to explain a country's growth potential.[21]

Pillar One: Institution environment – this pillar talks about the legal and administrative framework of the country where individuals, firms and government interact with each other. Government attitude influences the market efficiency and freedom by the means of excessive bureaucracy, over regulation, red tapism, corruption, inappropriate services to the business sector, slow process of economic development and improper management of the public finances.

The comparison of the pillars to the standards of the functioning of the Indian economy shows that India possesses the above mentioned evils to a great extent.

Pillar Two: Infrastructure – the effective functioning of the economy is ensured by comprehensive and competent infrastructure. Efficient Transportation and communication services are an integral part of the pillar which is an important factor for economic growth of the country. It aims to reduce the distance between regions, links the national market and connects it to markets in the other countries and regions, at a low cost.

Even though India stands 3rd in the world in terms of railway connectivity yet it fails to provide the other modes of transport efficiently, i.e., roads and ports. These modes play a major role in infrastructure of the country and the inefficiency in the same develops complexities in international trade.

[21] Global Comeptitiveness Report 2014-2015 – reports – World Economic Forum reports.weforum.org

Pillar Three: Macroeconomic Environment –this pillar plays a crucial role for the business firms of the country. The macroeconomic environment is an essential factor for the working of the business sector but at the same it alone cannot increase the competitiveness of the economy. The major components of macroeconomic environment are fiscal policy and the inflation rate.

Evidently, India often observes a soaring inflation rate approx. 8 percent per annum and a huge fiscal deficit.

Pillar Four: Health and Primary Education – a healthy and educated workforce is an indispensable factor for a competing and a productive country. This involves a proper and efficient healthcare system for the workers as poor health adds up to the liability of the business in turn reducing the efficiency and the productivity.

Qualitative and quantitative basic education given to the masses is important as it increases efficiency and their adaptability to the progressing working environment and the lack of same can become a hurdle in business development. This makes the investment in these sectors an unavoidable burden.

Though India breeds skilled labour yet it fails to ensure basic education and healthcare services which make them less efficient and productive and so the least preferred as employees.

Pillar Five: Higher Education and Training - The kind of higher education and training a country provides plays a critical role in process of innovation and specialization. The need of well-educated and trained labour force is required by an economy in order to craters to needs of managing complex tasks, rapid adaptation to the changing environment and the needs of production sectors that required specially trained workforce.

India excels in providing skilled workforce but fails to retain them due lack job opportunities and incentives which leads to “brain drain” practices like these harm economy, country fails to reap the benefits of these skilled and trained workforce. India actively works to provide job training to workforce which is neglected by most of the other economies but proves to be unsuccessful in retaining the workforce after providing them job training.

Pillar Six: Good Market Efficiency- Efficient good markets refer to the position of country wherein it produces the right balance of products and services catering to demand and supply conditions prevailing in the economy. It is driven by healthy competition at domestic and foreign level. The necessary conditions for efficient market are minimum government intervention and appropriate supply according to the demand in the market. The consumers maybe comparatively more demanding in few countries than the others for historical and cultural reasons which gives those countries an edge over the others as companies there are compelled to be innovative and consumer oriented.

Indian economy still faces government intervention even after the liberalization provided by the introduction of New Economic policy. Indian economy fails to cater to need of domestic market in terms of best quality products in order fulfill the needs of export sector.

Pillar Seven: Labour Market Efficiency –This pillar determines the allocation of workforce to their most effectual use in the economy and grant of incentives to motivate them to give their best quality of work. This requires the labour market to be efficient and flexible that is mobility of workers from one economic activity to another at the lowest cost possible and with allowance for variations in wages and incentives without social disturbance. Equity in the workforce has a positive effect on the efficiency of their work.

Indian perspective furthers inflexible movement of workers from one economic activity to another and equity varies from high to low as one move down from higher income level to lower income level.

Pillar Eight: Financial Market Development - A sound financial sector apportions the financial savings of citizens and non-citizens to the most profitable use in times of financialand economic impasse. The investment policy inclined towards to those entrepreneurial or investment projects which propose towering rates of return than being biased politically connected. Risk is a vital component for sound financial system. The market aims to financially aid private sector investments in form of loans from banking sector, well managed security exchanges and venture capital. It is important for banking sector to be reliable and transparent.

Indian Financial sectors is one of the strongest sector and gives sound financial backing to the economy.

Pillar Ninth: Technological readiness- This pillar seeks to explain the agility with which an economy adopts existing technology to improvise their productivity. Geographical constraints are immaterial. FDI is one of the leading sources for technology. Indian economy is moving towards e-governance that is in process of adopting advance technology.

Pillar Tenth: Market Size- Large size markets allow firms to exploit economies of scale. Unlike in past, availability of markets to firms is not restricted by geographical borders that there is existence of regional, domestic national and international markets. Facts and circumstances prove than openness of market is related to growth.

Indian markets is large size market that supporting the above notion.

Pillar Eleventh: Business Sophistication this pillar deals with two basic ingredients, firstly the quality of country's overall business networks and secondly the quality individual firms operations and strategies. It has a direct relationship with productivity. India lacks in sophistication as this is achieved by developed nations that are advance stage of development.

Pillar Twelfth : Innovation- This pillar gives innovation a new dimension, innovation originates from new technological and non – technological sources though it disregards the later.

Innovation can take place with the existing techno and need not be a newly discovered or invented technology. The need of the hour developing is to invest sufficient resources in R & D specially in Private Sector along with best quality scientific research organization that can provide primary knowledge about new technology.

India faces the greatest problem of fiscal deficit which make it even more reluctant to invest in R&D of new technology which would hamper the sustainable growth in future.

Overtime Indian economy has been trying to negate the negatives that hinder its progress through economic reforms.

Firstly, the new economic Policy of 1991 proposed equal treatment to every sector in Indian economy. It focused on three main economic reforms Liberalization, Privatization and Globalization which turned to be drawback to Indian economy due excessive focus on Industrialization. This led to the second generation reforms in 2002 which focused village sector as a location for market, role of women, social infrastructure an overhead capital, the main ideology being exponential boost. In the third generation reforms , the focus shifting to Bharat from India, ideology of new Bharat is being propagated by trying to find answers to the questions as to:

- how can Indian economy transform institutions?
- why the needs of domestic market be limited?

<u>Problems and Prospects in trade in India</u>

India being a developing country, having undergone various economic reforms has devised certain trade prospects buts still faces a few problems and difficulties that has to be dealt with so as to improvise its trade sector that in turn will contribute to international trade. Some of the problems are:

- Indian laws are rigid and not easily amendable due to the problem faced by a democratic government where even a majority government cannot go ahead without consensus. It sticks to its ground principles, i.e., its democracy to firmly.

- Indian economy fails to recognize that it is not because of lack of skills and laws but because of lack of opportunities and implementation of laws that hinder the growth of the economy. Practices like corruption, excessive regulation and red tapism act like hurdles for the economy to grow.
- Indian economy has still not devised effective solutions to eradicate poverty and unemployment in India.

Prospects being:

- The concept of turnkey sectors provides one solution to a problem. For example, usage of nuclear energy to provide electricity.
- The economy should promote those sectors that generate job opportunities as a solution to the problem of unemployment.
- India being a country rich in mineral and natural resources can develop a very strong sector in exploration of these resources. For example, iron industry, coal industry and filament industry.
- Indian economy should promote IT Enabled Services in the form of business outsourcing which will foster economic growth.
- Micro financing being one of the most flourishing, attractive and feasible sector as compared to the banking sector should be given more importance in way to provide more liberalized policies and funds for its working.
- Indian economy should also promote those manufacturing industries that produce finished goods along with those who export raw-materials or semi-finished goods abroad.
- Indian economy should channelize the investments from Foreign Direct Investments in the profitable sectors.
- India is brimming with skilled people which tends to become a great export sector prospect in future.

- The Indian economy is trying to introduce e-governance and universal health care sector which seems to be most logical and pertinent solution to the questions raised above.

CONCLUSION

Indian economy underwent a series of reforms in its economic structure so as to integrate the Indian economy into the world's economy and suit the conditions favourable to the International Trade. Trade theories have evolved and changed over the period with development and growth of the nations and with change generationreform. The role of WTO in developing nations and India in specific has both positive and negative affects over the country's economy. The international trade though provides more benefits than ill effect it does affect in specific the low income people in the country. The step to integrate the Indiandomestic markets into the worlds market has opened opportunities in in terms job creation, new markets for selling and distribution of good and services and foreign currency exchange. Talking about china as a competitor and threat, being a developing nation, we have noticed that though china has shown significant growth over the period of 1990's to 2006 has later observed a downward slope as low as 3% and growth rate moving towards stagnation.

Referring to the notion that people even today believe that foreign goods and services are a better quality than Indian products they have accepted international trade and made it an integral part of their lives that they cannot live without it.

India developed fast during early1950's but experienced slow and downward sloping growth after that till 1990's then again after the economic reforms the Indian economy started recovering though at a slower pace. We still see that Indian stands at 10th position in terms of international trade contribution. But the ground reality is that Indian is developing though at slower pace but will turn out to be stronger base in future as compared to the extravagant development and growth ideas of china that are being questioned and evidence indicate that china growth is now being questioned for its underperformance.