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## AN ECONOMICAL STUDY OF IMPACT OF GLOBALISATION ON INTERNATIONAL TRADE

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### ABSTRACT:

In globalisation era, the restrictions of international trade are reduced. The impact of that an international trade is open to do the marketing of goods any ware in the world. Anybody licences holder can sell their goods in the world market, even though the farmers are also send their products in the world market by procedure. Considering this fact the researcher have to economic study of international trade, i.e. the silent features, importance of international trade and import-export pattern have been considered in the present investigation. Government reports, related books, magazines, current bulletins are used for preparation of the paper. International trade is beneficial for all the trading partners static gains from trade are the increase in well-being of the countries entries into trade with each other.

### INTRODUCTION:

International trade is the result of geographical specialization and division of labour, Generally Speaking. The underlying reason of both the domestic and international trade is the same i.e. differences in the availability of resources. Within an economy, the resource endowments of the citizens differ. As a result each individual specializes in the production which he can produce most efficiently with his resources. He then exchanges his output with the outputs of other producers. In the same way countries differ in terms of their resource endowments e.g. quantity and quality of land and labour, climatic conditions, capital and technology, since no country is self sufficient in all the resources, each country tends to specialize in the production of those goods which can be

produced most efficiently with the help of its given resources. Then international trade takes place, i.e. Japan specializes in the production of electronic goods, automobiles and photography equipment as these goods require efficient and highly skilled labour with Japan has in abundance. On the other hand India which has lot of unskilled labour and weather conditions to the production of tea and coffee specializes in the production of tea and coffee.

#### **OBJECTIVES OF THE STUDY:**

1. To study salient features of international trade
2. To study importance of international trade
3. To study pattern of imports and pattern of exports.

#### **RESEARCH METHODOLOGY:**

Secondary data have been used for present investigation. The government reports, bulletins, books, relevant magazines, Current newspapers and internet access have used for this; and period 2016-17 were consider for the analysis.

#### **DISCUSSION:**

##### **1. Gains from Trade:**

International trade is beneficial for all the trading partners. The principle of comparative advantage shows that if countries specialize on the basis of their comparative costs, all the trading countries will be better off compared to a situation where they do not trade at all. There are two types of gains a) static gain and b) Dynamic gains.

**a) Static Gains** - static gains from trade cause increase in well-being of the countries entering into trade with each other. The static gains can be explained with the help of the principle of comparative advantage. Free trade among nations encourages international specialization among nations. This results in relatively more efficient allocation of resources of the trading partners. It is observed that, increased production of goods and services in the countries enjoying comparative advantages.

**b) *Dynamic Gains*** - Dynamic gains are the contribution international trade to the economic growth of nations. International trade has a very significant role to play in economic growth of nations. According to Robertson, International Trade is an 'engine' of growth, some of these dynamic gains are the developing countries can take advantage of the superior technology of advanced countries. It is possible only when the former import capital goods from the latter. Through international trade the world economy can achieve a more efficient allocation of reserves and a higher level of well-being of its people. It leads to economic growth due to increasing output and income of the nations.

## **2. Salient Features of International Trade:**

- a) *Immobility of factors*** – This is a very important feature of international trade. The degree of immobility of factors like labour and capital is generally greater between countries than within a country. Immigration laws, citizenship, qualifications etc often restrict the international mobility of labour International Capital flows are limited by different governments. As among different countries, resources are comparatively immovable, therefore there is no automatic influence equalizing price and costs so there may be permanent difference between the cost of production of commodity in one country and the price obtained in different country.
- b) *Heterogeneous Markets*** - This is another important feature of international trade in the international economy world markets lack homogeneity on account of difference in climate language, performance, habit, customs, weights & measured etc. the behaviour of international buyers in each case would therefore be different.
- c) *Different Political Units*** - This is a specific feature of international trade is a phenomenon which occurs between different political units It means every country has its different political situation.
- d) *Different national groups*** - International trade takes place between behaving groups. The socio-economic environment differs greatly between different nations.

- e) ***Different National Policies and Government Intervention*** - Economic policies differ from one country to another policies regarding trade, commerce export and import, taxation etc. also diff uniform within the country import quota system. Tariff policy, subsidies and other controls adopted by governments interface with the course of normal trade between one country another.
- f) ***Use of different Currencies*** – leis another notable feature of international trade. It involves the use of different types of currencies so each country has its own policy in regard to exchange rates and foreign exchange.

### **3. Importance of international Trade for a developing economy (India):**

With the dawn independence the colonial pattern f trade had to be changed to suit the needs of a developing economy. An economy which decides to embark on a programme of development is required to extend its productive capacity at a fast rate for this imports of machinery and equipment which cannot be produced in the initial stage at home are essential. Such imports which wither help to create new capacity in some lines of production or enlarge capacity in the other lines of production are called development imports for example imports required for the setting up of the steel plants the locomotives factory and the hydroelectric projects are of a developmental nature secondly a developing country like India which sets in motion the process of industrialization at home required the imports of said materials and intermediate goods so as to properly utilize the capacity erected in the country.

### **4. Pattern of imports and pattern of Exports:**

- a) ***Trend of principal Imports food grains*** - The growing demand for food for the rising population is necessitated. The average annual imports of food grains which were about Rs. 120 crores during the first plan on the other hand during the 2002-2003 food grains worth only Rs. 119 crores were imported which was negligible.
- b) ***Machinery*** - imports of machinery include electrical and non-electrical equipment as also locomotives. In a country which is rapidly induarolizing

her economy. Imports of machinery are bound to increase. Machinery imports averaged nearly Rs. 2,515 crores per annum during 1980-81 to 1984-85. The increasing import of machinery is an indicator of our growing industrialization as well as our failure to develop our own technology and indiscriminate liberalization in import policy.

- c) **Mineral Oils** - India is short in the supply of mineral oils especially petroleum. Imports of mineral oils are also on the increase. On account of the sharp increase in the price of crude announced by the organization of petroleum exporting countries (OPEC).
- d) **Metals** - India imports iron and steel and also some non ferrous metals. The annual average imports of ferrous and non ferrous metals have gone up steadily with every plan. Imports of metals are on such a large scale is necessitate by the vast programmes of industrial expansion development of railways and hydro-electric projects.
- e) **Chemicals Drugs and Medicines** - There has been an increase in the imports of Chemicals, drugs and medicine during 1980-81 and 1984-85 annual average import of this item rise to Rs. 660 crores. They rase further to Rs. 6190 crores during 2002-03.
- f) **Pearls and precious stones** – The import of pearls and precious stones has increased to Rs. 2405 crores per annum the period 1985-86 to 1989-90. Part of these imports is meant to satisfy the demand of the affluent sections and part of these imports serve as raw material for the handicrafts export industry.
- g) **Fertilizers** - The imports of fertilizers were stepped up following the adoption of the new strategy in Indian agriculture. During 1980-81 the annual imports of fertilizers were of the order of Rs. 698 crores in during 2002-03 imports of fertilizers order of Rs. 2265.

#### **Pattern of Exports:**

- a) **Tea and Coffee:** Tea and Coffee are important items of Indian exports. Tea had the first position in our exports in certain years Tea exports earned Rs. 1132 crores during 1991-92. But their contribution rose to Rs.

1652 crores in 2002-03. During 2002-03 Coffee exports touched a record level of Rs. 994 crores.

- b) Cotton Yarn and Manufactures** - In the post devaluation period exports of cotton textiles have increased an account of their competitiveness in the international market.
- c) Readymade Garments** - The exports of cotton apparel have shown significant improvement in recent year. This indicates the increasing importance of this item in Indian exports.
- d) Leather and Leather Manufactures** – In recent years the exports of this item the proportion for leather and leather manufactures to raw hides and skins is on the increase. This is really a healthy development.
- e) Iron Ore** - India exports iron ore. India should increase the share of steel plants.
- f) Handicrafts** - The exports of Indian handicrafts assumed great importance. The important item among the handicrafts was pearls and precious stones which earned Rs. 3177 crores during 1985.85 at present, the single largest item of export is handicrafts direction of India's exports and imports international trade it therefore would be appropriate to classify the world into three broad groups America Europe & Asia & Deeania Afric.

## CONCLUSION:

International trade is the result of geographical specialization and division of labour. The underlying reason of both the domestic and international trade is the same i.e. differences in the availability of resources. Since no country is self sufficient of all the resources each country trends to specialize in the production of those goods which can be produced most efficiently with the help of its given resources.

The principle of comparative advantage states that each country specializes in the production of those goods and services in which it has greater comparative advantage and exports them while it imports those goods in which it has greater comparative disadvantage International trade is beneficial for all the trading partners static gains from trade are the increase in well being of the

countries entries into trade with each other on the other hand dynamic gains are the contribution of international trade to the economic growth of nations. There are various features of international trade.

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