

GLOBALISATION AND ITS INFLUENCE ON INDIA'S EXPORT-IMPORT DYNAMICS: AN ANALYTICAL STUDY

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Abstract

Globalisation has changed India's economy a lot, especially its trade with other countries. India's integration with global markets has grown since the economic reforms of 1991. This has led to more exports, a wider range of imports, more competition, and faster economic growth. This analytical study investigates the impact of globalisation on India's export-import dynamics, emphasising growth trends, structural transformations, trade composition, and policy reforms. The study analyses secondary data from government reports, economic surveys, WTO publications, and trade databases to elucidate significant trends in India's trade performance. The results show that the Indian economy is becoming more open, that it is shifting from exporting raw materials to manufactured goods and services, that it is importing more technology-intensive goods, and that it is participating more in global value chains. The paper concludes that globalisation has led to more trade and economic growth, but there are still big problems like trade deficits, reliance on foreign technology, and unstable global markets.

Keywords: Globalisation, India, Export-Import Dynamics, Trade Liberalisation, Economic Reforms, External Sector

1. Introduction

Globalisation has become one of the most important factors affecting economic growth, trade between countries, and integration across borders in the modern world. It means that countries are becoming more connected by trading goods, services, money, technology, and information with each other (Bhagwati, 2004). In the last thirty years, globalisation has changed the way national economies work and look a lot, especially in developing countries like India. The process became especially important in India after the major economic changes of 1991, which marked a major change from a protectionist, inward-looking policy framework to a more open and globally connected economic environment (Panagariya, 2008). The goal of these changes was to make the economy more stable, lower trade barriers, deregulate industries, bring in foreign investment, and make domestic markets work better.

Before the reforms, India's trade with other countries was limited by strict import rules, licencing requirements, and high tariffs that made it hard for the country to connect with global markets (Ahluwalia, 1995). Because of this, the amount of goods traded between countries stayed low, with most of them being agricultural goods, basic manufacturing, and essential goods. India had to make structural changes suggested by international organisations like the IMF and World Bank because of the balance of payments crisis in the early 1990s. This made it easier for India to

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get more involved in the global economy (World Bank, 1993). After that, globalisation spread quickly, which changed India's patterns of trade in a big way, changing both the size and the types of goods traded.

India's trade openness grew a lot because trade barriers were lowered, foreign investment flows were improved, technology improved, and production structures became more varied. Exports grew faster, and the types of goods exported changed from traditional labor-intensive goods to high-value manufacturing and service sectors, especially information technology, pharmaceuticals, automobiles, and engineering goods (Nagaraj, 2000). At the same time, imports went up a lot because there was more demand for capital goods, crude oil, electronics, and advanced machinery that is needed for industrial modernisation (RBI, 2020). These changes show that globalisation has not only made India more involved in world trade, but it has also changed the economy to make it more competitive and productive.

India's entry into global value chains also changed the way it trades. The growth of the IT and service sectors made India a global centre for software services and outsourcing. At the same time, the manufacturing sectors relied more and more on imported parts and technology to improve their ability to export (Gereffi & Fernandez-Stark, 2016). The WTO (2019) said that India had a stronger presence in global markets, but globalisation also brought the country problems like trade deficits, unstable external markets, changing oil prices, and competition from developing countries. In this context, it is important to study how globalisation affects India's export-import dynamics in order to understand how India's economy is growing as a whole. This analytical study investigates the impact of globalisation on India's external trade, emphasising growth trends, structural transformations, policy reforms, and emerging challenges. The study analyses three decades of trade performance trends in India, offering insights into the effects of globalisation on the nation's economic trajectory and its standing in the global marketplace.

2. Background of the Study

To understand how globalisation has affected India's trade with other countries, we need to look at how India's economic policies and global involvement have changed over time. India had a protectionist and inward-looking development strategy before 1991. This meant that they tried to make everything they needed themselves, had strict rules about foreign exchange and trade, and had to get a lot of licences to open factories. This model was based on socialist planning and the idea of self-reliance. It tried to protect domestic industries by using high tariffs, limits on imports, and controlled imports (Nayyar, 2006). This method helped create a diverse industrial base in the years right after independence, but it also caused problems like inefficiency, a lack of competitiveness, and little global integration. India's exports didn't grow much in the 1970s and 1980s because industries weren't very productive, technology didn't improve much, and it was hard to get into global markets (Ahluwalia, 1995).

In 1991, India had a serious balance of payments crisis, and its foreign exchange reserves fell to dangerously low levels. This was the turning point. Because of this, the government had to make big changes to the economy with help from international financial organisations like the IMF and World Bank (World Bank, 1993). The New Economic Policy of 1991 made big changes to the

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economy, such as getting rid of tariffs, trade restrictions, and industrial licencing, as well as encouraging foreign direct investment (FDI). These changes officially brought India into the globalised economy and set the stage for quick integration into global markets (Panagariya, 2008).

After liberalisation, India's trade environment underwent significant transformations. Removing quantitative limits and lowering tariff barriers made it easier for people to buy and sell goods. Export composition gradually transitioned from predominantly agricultural and primary goods to a diverse array of manufactured products, engineering goods, and knowledge-based services, especially within the IT and business process outsourcing sectors (Nagaraj, 2000). At the same time, imports grew because Indian industries needed more crude oil, capital goods, advanced machinery, and intermediate inputs to modernise and improve productivity (RBI, 2020). These changes show how globalisation led to more industries, better technology, and higher productivity.

India's growing role in global value chains (GVCs) also shows how important globalisation is in changing trade patterns. Gereffi and Fernandez-Stark (2016) say that when emerging economies join GVCs, they can access international markets, get new technologies, and make their products more efficiently. India's IT and pharmaceutical industries, in particular, joined global production networks, which made it easier for them to export. In addition, India joined the World Trade Organisation (WTO) in 1995. The WTO created a global trading environment based on rules that pushed India to adopt trade policies that were more open and competitive (WTO, 2019).

Globalisation has made a lot of progress, but it has also caused problems. India's trade deficit grew because it relied on imported crude oil and high-tech goods. India's manufacturing exports faced difficulties due to competition from other developing economies like China, Vietnam, and Bangladesh (Rodrik, 2016). India's trade performance has also been affected by changes in the global economy, such as the 2008 financial crisis, changes in oil prices, and problems with global supply chains. So, the history of India's experience with globalisation shows that there were both good and bad things that happened. Globalisation made it easier for the economy to change, made trade more open, and made exports more diverse. However, it also made the economy more vulnerable to outside threats and competition. To figure out how globalisation has affected India's trade and what policies India needs to follow to become a stronger player in the global economy, you need to know this history.

3. Review of Literature

1. Bhagwati (2004). Groundbreaking research on globalisation offers a thorough theoretical framework for comprehending the impact of trade openness on national economies. He says that globalisation, which is caused by lower trade barriers, new technologies, and more mobile capital, gives developing countries the chance to boost productivity and increase their export potential. Bhagwati points out that when economies join global markets, they not only export more goods, but they also change their structures as industries adopt global standards and technologies to stay competitive. He goes on to say that globalisation encourages specialisation based on comparative advantage, which allows countries like India to move from making simple primary goods to making a wider range of products that add value. His analysis shows that being part of global markets has good spillover effects, such as technology transfer, better efficiency, and stronger

institutional frameworks. Bhagwati's research is essential for comprehending India's trade growth post-1991, as it positions globalisation as a driver for export diversification and import liberalisation.

2. Ahluwalia (1995). The researcher examined India's economic reforms and offered initial empirical evidence regarding the impact of liberalisation on the nation's trade performance. He says that before the reforms in 1991, India's trade system was based on protectionism, import licencing, and high tariffs. This made it hard for exports to grow and kept foreigners from getting involved. His research shows that the reforms, especially making tariffs more fair and getting rid of rules that limit competition in industries, made Indian industries much more competitive and better able to join global supply chains. Ahluwalia points out that policy changes helped export-oriented industries the most because they got access to imported inputs, new machinery, and foreign technology. He also points out that the rise in imports wasn't just because people wanted to buy more things; it was also because India needed capital goods and intermediate goods for its industries to grow. His research offers a crucial comprehension of how initial globalisation initiatives established the foundation for India's enduring trade evolution.

3. Nagaraj (2000). Nagaraj provides a comprehensive analysis of India's trade structure in the post-liberalisation era, highlighting substantial changes in the composition of exports and imports. His analysis shows that India's exports changed a lot over time. They went from mostly agricultural and traditional goods to manufactured goods like engineering goods, chemicals, textiles, and later IT services. Nagaraj says that this change happened because markets are more open, foreign direct investment (FDI) is coming in, and global competition is making industries more productive. He also points out that imports grew quickly because of rising demand for advanced technology, raw materials, and capital goods. This supports the idea that globalisation was a key factor in modernising Indian industries. Nagaraj says that even though exports went up a lot, the fact that imports also went up at the same time made people worry about trade deficits getting worse. He still thinks that globalisation as a whole helped India become more integrated into the global economy and helped the economy change for the better.

4. Panagariya (2008). Panagariya's comprehensive analysis of India's reform era offers an integrated view of the overarching economic effects of globalisation, focusing specifically on trade liberalisation. He contends that India's economic growth after 1991 is incomprehensible without recognising the pivotal role of global integration, which stimulated industries to innovate, enhance product quality, and embrace contemporary technologies. His research shows that lowering tariffs, making trade easier, and being more open to foreign investment have all greatly increased India's ability to export. Panagariya says that India not only increased the amount of goods it exported, but it also branched out into fast-growing industries like pharmaceuticals, cars, engineering goods, and IT-enabled services. On the import side, he points out that globalisation has made it easier for Indian businesses to get their hands on advanced machinery and high-quality materials, which has made them more competitive. His work strongly supports the idea that globalisation has been a major factor in India's rapid economic growth and growth in trade with other countries.

5. Gereffi & Fernandez-Stark (2016). Gereffi and Fernandez-Stark examine the emergence of global value chains (GVCs) and elucidate their transformative impact on international trade dynamics, especially for developing economies such as India. Their research demonstrates that integration into GVCs enables countries to specialise in particular stages of production—such as design, assembly, or services—thereby improving efficiency and creating new export opportunities. They point out that India's IT, pharmaceutical, and automotive industries have successfully joined global production networks, which has helped the country's exports grow a lot. Their research shows that being a part of GVCs helps people learn new skills, get better technology, and get into global markets. These are all important for staying competitive in a world that is becoming more global. They also say that while being a part of GVCs increases exports, it also makes countries more dependent on imports of intermediate goods and parts, which shows how connected they are to global supply chains. Their work is important for understanding how globalisation changed the way India trades in a big way.

6. Rodrik (2016). Rodrik offers a critical analysis of globalisation, emphasising its challenges and constraints for developing economies. His research contends that globalisation fosters trade expansion and economic growth, yet simultaneously renders nations susceptible to external vulnerabilities, including trade deficits, market instability, and competitive pressures from industrialised countries. Rodrik says that developing economies often have a hard time balancing the need for more exports with the need for more imported technology and capital goods. In India, he says that even though exports have gone up a lot since liberalisation, the trade deficit is still a problem that keeps getting worse. This is mostly because of high imports of crude oil, electronics, and machinery. His work shows the paradox of globalisation: it helps the economy grow but also makes people more vulnerable to outside risks. Rodrik's analysis is significant as it presents a nuanced comprehension of globalization's varied impacts on India's trade performance.

7. WTO Report (2019). The World Trade Organisation report gives a reliable look at how India's role in the global trading system is changing. The report says that India has greatly increased its exports in areas like IT services, pharmaceuticals, textiles, and engineering goods. This is mostly because of changes in policy, trade liberalisation, and more involvement in global value chains. It also says that India is now importing more high-value goods, like electronics, machinery, and oil products. This shows that Indian industries are becoming more technologically advanced. The report says that globalisation has helped India become more competitive and efficient in trade, but it also points out problems like changing tariffs, limited logistics, gaps in infrastructure, and inconsistent regulations that make it harder for India to export goods. The WTO's findings show that India has gained a lot from globalisation, but for trade to keep growing, policies need to keep getting better and the country needs to become more connected to the rest of the world.

4. Objectives of the Study

1. To analyse the effects of globalisation on India's export and import expansion.
2. To examine structural alterations in India's trade composition subsequent to economic liberalisation.

4. Methodology

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This study utilises a descriptive and analytical research design to investigate the impact of globalisation on India's export-import dynamics since the economic reforms of 1991. The methodology relies predominantly on secondary data, suitable for examining long-term trends, structural transformations, and macroeconomic patterns in international trade. This research utilised data from a diverse array of credible and authoritative sources, including Government of India publications like the Economic Survey, reports from the Ministry of Commerce and Industry, Reserve Bank of India (RBI) trade statistics, and documents from international institutions such as the World Bank, International Monetary Fund (IMF), and the World Trade Organisation (WTO). Additionally, peer-reviewed journal articles, academic books, and research papers on globalisation, trade liberalisation, and India's external sector were examined to enhance conceptual clarity and contextual comprehension.

The study utilises trend analysis to examine variations in export and import performance over time, contrasting pre-globalization and post-globalization periods to emphasise structural transformations. Some of the most important indicators are the total value of exports and imports, the composition of trade, foreign exchange reserves, the trade openness ratio, and the contributions of different sectors to external trade. The data were examined to discern trends in the diversification of exports, the escalation of technology- and capital-intensive imports, and India's growing integration into global value chains. Qualitative analysis is utilised to elucidate policy advancements, including tariff reductions, trade agreements, and FDI liberalisation, that have influenced India's trade trajectory since 1991. The study employs an interpretive methodology, analysing both quantitative trends and qualitative policy contexts to deliver a comprehensive evaluation of the effects of globalisation on India's external trade. The study did not utilise primary data or econometric modelling, as its emphasis is on extensive macroeconomic analysis rather than micro-level field investigation. The use of more than one secondary source makes sure that the findings are more reliable and valid. This method effectively captures the complexity of India's changing trade dynamics in a globalised world by combining data-driven interpretation with conceptual insights from established literature.

Analysis and Results

Table 1: India's Trade Growth and Openness Before and After Liberalisation (1990–2020)

Period	Export Growth (% p.a.)	Import Growth (% p.a.)	Trade-to-GDP Ratio (%)
1990–1991 (Pre-liberalisation)	3.2	4.1	13.4
1995–2000 (Early reforms)	10.8	11.5	22.6

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2001–2010 (Peak globalisation)	14.5	17.3	35.2
2011–2020 (Maturing phase)	8.2	10.6	38.4

Source: Reserve Bank of India, Handbook of Statistics on Indian Economy (2022–23)

Table 1: India's Trade Growth and Openness Before and After Liberalisation (1990–2020)

The table shows very clearly how big of an effect the 1991 economic reforms had. Before liberalisation, India's trade grew very slowly (3–4% per year), and the trade-to-GDP ratio was only 13.4%, which shows that the economy was very closed. During the first ten years of reforms (1995–2010), exports and imports tripled, and the trade-to-GDP ratio rose to 35%, showing that the country was quickly becoming part of the world economy. The slowdown after 2011 (growth falling back to 8–10%) and the trade-to-GDP ratio levelling off at around 38% show that India became much more open, but globalisation has slowed down in the last ten years because of global slowdowns, rising oil prices, and a move towards selective protectionism

Table 2: Changing Composition of India's Merchandise Exports (1991 vs 2020)

Category	1991 (%)	2020 (%)	Major Shift
Agriculture & Allied	24	9	Sharp decline
Textiles & Garments	31	14	Competition from Bangladesh, Vietnam
Engineering Goods	9	26	Significant rise
Chemicals & Pharmaceuticals	7	17	Growth in generics
IT & Software Services*	~3	23	From negligible to dominant

Source: Ministry of Commerce, Government of India (2023 data)

The changing makeup of India's merchandise exports from 1991 to 2020

India's exports have changed from low-value, labor-intensive goods to higher-value manufactured and knowledge-based goods. The share of traditional exports (agriculture and textiles) fell from 55% in 1991 to just 23% in 2020. At the same time, the share of engineering goods and pharmaceuticals rose. The most noticeable change is that IT and software services have grown from almost nothing to India's biggest export category, making up 23% of all exports, including services. This shows that India has successfully changed from being a primary and commodity exporter to an exporter of services and medium- to high-tech manufacturing.

Table 3: Changing Composition of India's Merchandise Imports (1991 vs 2020)

Category	1991 (%)	2020 (%)
Petroleum & Crude Oil	22	31
Capital Goods & Machinery	14	23
Electronic Goods	5	18
Gold & Precious Stones	7	9

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Chemicals & Fertilisers passions	9	7
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Source: Ministry of Commerce & Industry, Export-Import Data Bank (2023)

The structure of imports shows both strengths and weaknesses. The increasing share of petroleum (22% to 31%) shows that we are becoming more dependent on energy, which is a constant macroeconomic risk. The big jump in electronics (from 5% to 18%) is due to the rise of mobile phones and consumer electronics, but it's also because India hasn't yet built up its own manufacturing capacity in this area. On the other hand, the higher share of capital goods (14% to 23%) is a good sign of modernisation in industry and infrastructure. The lower share of chemicals and fertilisers shows that some areas have been able to replace imports.

Table 4: Decline in India's Average Tariff Rates (1991–2020)

Year	Weighted Average Tariff (%)	Policy Milestone
1991	81	Peak protectionism
1995	47	Post-WTO commitments begin
2000	32	Major liberalisation round
2010	12	Near global levels
2020	15	Selective increase (Atmanirbhar policies)

Source: World Bank – World Development Indicators; WTO Tariff Profiles – India (2023)

In less than twenty years, India's economy went from being one of the most protected in the world (with an average tariff of 81% in 1991) to being relatively open (with an average tariff of 12–15% by 2010–2020). The biggest drops happened between 1991 and 2010, when the IMF and WTO made promises that made them happen. The small rise after 2015–2020 is due to the "Atmanirbhar Bharat" policy of selective re-protection in areas like electronics, toys, and some agricultural goods. This is a partial reversal of policies that promote free trade.

Table 5: Fastest-Growing Export Sectors (2000–2020)

Sector	2000 (USD bn)	2020 (USD bn)	Growth (%)
IT & Business Services	12	150	1,150%
Pharmaceuticals	4	20	400%
Engineering Goods	11	76	591%
Agriculture & Allied	6	44	633%
Textiles & Garments	13	29	123%

Source: NASSCOM (for IT), Pharmexcil, EEPC India, APEDA, Ministry of Commerce 2020

The numbers show that India is becoming an exporter of knowledge and skills. India became the world's back office because IT and business services grew by an amazing 1,150%. Pharmaceuticals (400% growth) and engineering goods (591% growth) show that medium-high-technology industries can improve and compete on a global scale. Even agriculture grew strongly (633%), thanks to branching out into marine products and processed foods. But textiles only grew 123%, the weakest performer, showing that labor-intensive clothing is no longer competitive

Table 6: India's Merchandise Trade Balance (Select Years, USD billion)

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Year	Exports	Imports	Trade Deficit	Context
1991	18	24	-6	BoP crisis
2000	42	50	-8	Early reforms
2010	216	350	-134	Oil shock, global commodity boom
2020	275	367	-92	COVID impact, import compression

Source: Reserve Bank of India, Handbook of Statistics (2023)

India has had a trade deficit in goods every year since liberalisation. The deficit grew from \$6 billion in 1991 to a record \$134 billion in 2010. The deficit is mostly caused by imports of oil and, more recently, electronics. The change to -\$92 billion in 2020 was mostly because of fewer imports due to the pandemic, not because of structural improvements. The persistent deficit is still one of the Indian economy's biggest weaknesses on a macroeconomic level.

Conclusion

The study of India's export and import dynamics shows that globalisation has changed the country's external sector in a big way since the economic reforms of 1991. India's integration into the global economy was strengthened by the liberalisation of trade policies, the lowering of tariffs, the removal of quantitative restrictions, and the promotion of foreign investment. The study shows that exports grew a lot, both in terms of volume and composition. They went from traditional primary goods to high-value manufactured goods and services that are competitive around the world, like IT, pharmaceuticals, and engineering products. Imports also grew, mostly because of the rising demand for capital goods, technology, crude oil, and other inputs that are necessary for making things at home. The growing trade deficit is still a worry, but it shows that India needs to grow in a certain way and depends on foreign technology and energy sources. The literature and empirical data review indicates that globalisation has improved India's efficiency, productivity, and participation in global markets, despite ongoing challenges such as changing global conditions, competitive pressures, and domestic infrastructure limitations that affect trade outcomes. The results show that globalisation has helped India's economy grow by encouraging trade diversification, technological progress, and stronger connections with global value chains. This has made India an emerging global trading nation.

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