



INTERNATIONAL TRADE POLICIES & ECONOMIC DEVELOPMENT

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Abstract: The focus of study on international trade has evolved over the past 20 years from trade policy to various types of trade challenges (e.g., transportation, information, and communication costs). This development implies the general belief that trade policy is irrelevant. We challenge this theory by closely analysing a substantial amount of data and literature regarding how trade policy affects outcomes that are significant economically. We address the question of “Does international trade policies really play a role in economic growth?” Countries can reach upon new markets and obtain products and services through international trade that might not be available domestically. The market is increasingly competitive because of global trade. In the end, this may mean lower prices and more competitively priced goods. We argue that methodological problems with the empirical strategies employed in this literature leave the results open to diverse interpretations

Reviewing the literature of various published papers suggests that the conventional theory of international trade emerged between 1776 and 1826, marking the publications of Adam Smith’s (1986 [1776]) *Wealth of Nations* and David Ricardo’s *Principles of Economics* (1951) respectively fostering the impact that international trade policies had on the economic development of any nation.

The objective of this paper is to identify and establish the intricate relationship between international trade and economic development in countries across the globe. For this purpose, the data was retrieved from different secondary sources including online databases, academic journals, industry reports, and credible websites. The secondary data employed, was widely accessible through online journals and libraries. Lastly, we also review and analyse our topic of research through a case study on the economic reforms and foreign trade policies in the Indian context during the Gulf War of 1990-91.

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The results obtained showed that trade policies had positive effects on economic growth by felicitating human development, labour rights, and environmental quality, but also increased income inequality and carbon emissions. While the economic growth may seem beneficial because of such policies, there also exists imperative drawbacks as discussed here.

Keywords: International trade policies, trade effects, trade agreements, economic growth

Jel Classification Codes: F01, F43, E61, E62

INTRODUCTION

International trade has a significant impact on developing countries' economies. It could stimulate economic growth, raise living standards, and promote sustainable development. A trade policy is a governmental/fiscal policy that determines how much goods and services a country exports and imports. A well-known example is the North American Free Trade Agreement (NAFTA), which was replaced by the United States-Mexico-Canada Agreement (USMCA) in 2020. Such agreements stimulate economic development by expanding market access and promoting cross-border investments. Trade agreements promote economic development by facilitating international trade and investment. The European Union (EU) is an example of a regional trade arrangement that has boosted economic growth in its member countries. The EU's Single Market, established via several treaties and agreements, abolished most internal trade obstacles, and created a unified economic area for its member countries. As a result, the EU has seen greater trade, investment, and economic growth over time (European Commission, 2021).

Free trade is when there exist no government restrictions on trade. Protectionism is when governments set trade restrictions to help domestic industries. In an economy, there are a spectrum of trade policies defining the economic standing of a nation. According to the international trade model of development, a nation must determine its unique or distinctive economic resources. The international trade method states that a nation might prosper economically by focusing its limited resources on developing its characteristic local industries.

According to the IMF (1997, 84): "Policies toward foreign trade are among the more important factors promoting economic growth and convergence in developing countries." Under free trade systems with little to no government intervention, the domestic economy tends to specialise, which means it focuses

on producing only what it is good at and distributes its resources accordingly. The issue is that smaller industries will contract and die, which will be resisted by the people who work in them. The government then steps in to assist the damaged industry by implementing some form of trade policy. Now, if trade policy is employed to restrict business, such as through protectionism, the domestic producer may benefit, but the consumer bears the cost. Protectionism raises the price of the commodity it protects since this causes a scarcity of that good in the local market.

International organizations like the World Trade Organization (WTO) and the International Monetary Fund (IMF) were created to support international trade in a fair and sustainable way that benefits all nations involved. While a country's government normally determines trade policy, if the policy is too extreme or has a negative impact on another country's economy, the WTO will act as a mediator to keep the peace and reach an agreement. Foreign trade policies are intended to lower barriers between trading nations, promote non-discriminatory trading practices, and make the trading process more transparent by integrating international organisations such as the WTO.

The two types of trade policies are import and export trade policies. There exist five main instruments of trade that governments frequently utilize to implement trade policy, namely, tariffs, import quota, export subsidy, voluntary export restraints (VER), local content requirements (LCR) and other trade policies. The modern international trade regime is based on four main principles. These principles are most-favoured-nation treatment (MFN), national treatment (NT), tariff binding, and the general prohibition of quantitative restrictions. International trade increases production variation, advantages from economies of scale, and improves access to overseas markets. It also boosts competition and promotes technology transfer.

The nature of the relationship between trade policy and economic growth remains very much an open question. We suspect that the relationship is a contingent one, dependent on a host of country and external characteristics. Its imperative to note that growth and welfare are not the same thing. Trade policies can have positive effects on welfare without affecting the rate of economic growth. Conversely, even if policies that restrict international trade were to reduce economic growth, it does not follow that they would necessarily reduce the level of welfare. Negative coefficients on policy variables in growth regressions are commonly interpreted as indicating that the policies in question are normatively undesirable.

LITERATURE REVIEW

There have been multiple attempts at capturing the relation between international trade of a country and its economic growth. The conventional theory of international trade emerged between **1776 and 1826**, marking the publications of **Adam Smith's** (1866 [1776]) *Wealth of Nations* and **David Ricardo's** *Principles of Economics* (1951) respectively. These two volumes establish the philosophy of free trade based on England's unparalleled success in manufacturing and trade. Smith believed that the division of labour in England's large-scale industries helped cut labour costs and promote international competition. As opposed to the Mercantilist policies of protection, Smith and Ricardo advocated for free trade over protectionist policies to attain global industrial efficiency.

Benthamite utilitarians, who emerged in the **early 20th century**, argued that the Ricardian approach failed to account for demand as a factor influencing trade scenarios. **J.S. Mill** introduced the concept of "Reciprocal Demand" to achieve the necessary balance. It was at a later stage that Alfred Marshall further advanced the role of demand in terms of the "offer curve" construct, which, according to him, completed the Ricardian trade theory by determining the "terms of trade." However, the supply-side assumptions in these theories have shifted from the Ricardian concept of fixed labour time inputs to "real costs." Marshall estimated labour costs based on subjective disutility or sacrifices at labour. The Austrian school proposed the concept of opportunity cost, which measures the benefit of foregoing consumption, to balance supply and demand. This provided the base for the Heckscher-Ohlin version of free trade doctrine that followed.

The **Heckscher-Ohlin** (and subsequently Samuelson) version of free trade study of thought prioritised nation-specific resource endowments over market demand to promote mutually beneficial trade. Free trade theory shifted from skill or technology-based interpretations of the Ricardian comparative cost doctrine to an endowment-based explanation for nations with similar technological access. The HOS model of free trade theory failed to address reality, prompting several responses over the following decades. **Leontief (1956)** identified a dilemma in the endowment-based explanation of trade patterns under the HOS theorems when exports in the United States were more labour intensive than imports due to ample capital.

Staffan Linder (1961), a Swedish economist, proposed an alternative explanation for trade patterns in 1964, citing "overlapping demand" rather than supply-side arguments. Linder suggests that the feasibility of cross-border trade

is determined by representative demand for commodities based on per capita income. This interpretation of trade focuses on demand rather than supply. Linder's trade theory replaces supply-based theories based on comparative cost or factor endowments. The rigid framework of trade theory has been questioned from several perspectives. The new trade theory (NTT) literature proposes introducing scale economies in production, which differs from traditional trade ideas. The revisions highlighted the influence of growing returns to scale on both the pattern and mutual advantages of international trade.

Marshall avoided multiple equilibria with increasing returns by assuming costs are unchangeable over time. Marshall also ignored the Pigouvian suggestion for taxes and bounties for the various industries with increasing and decreasing costs. Graham and Knight examined the impact of increased rewards on trade (**Viner 1937**). One of the problems with the new trade theory included the breakdown of perfectly competitive market with scale economies internal to the firm, a problem recognized earlier in the literature (**Young 1928; Sraffa 1926**). The agenda the NTT theorists had set for themselves clearly excluded situations where "...changes can happen in resource endowments, technological possibilities, or consumer preferences" (**Bhattacharya 2004**; see also Ruttan 1998 and Stewart 1991).

RESEARCH OBJECTIVE

The objective of this research paper is to identify and establish the intricate relationship between international trade and economic development in countries across the globe. The study attempts to examine how international trade might stimulate economic growth, reduce poverty, and help in technological advancements. Based on past research and the author's own expectations, the paper aims to test the hypothesis that there is a positive relation between the international trade policies of a nation and the extent of economic development. The report highlights the effects of trade policy on labour markets, aggregate growth, and poverty. Comprehensive trade policy, infrastructural development, and institutional capacity building are crucial for enhancing the favourable impact of international trade on economic development. The paper also goes on to evaluating the disadvantages of international trade.

DATA AND METHODOLOGY

The paper's research objective was developed to be explicit, measurable, feasible, relevant, and practical. This was followed by extensive study that included

using online databases, academic journals, industry reports, and credible websites. After arranging and synthesising the collected data, conclusions were formed. The study used previously published articles, reports, and statistics. The secondary data employed, was widely accessible through online journals and libraries. Quasi-experimental research on actual policy changes reveals the causal impacts of the policy in question. These studies give evidence on how trade policy affects consumer and producer welfare, without imposing predetermined associations on the data.

THE EFFECTS OF TRADE POLICIES: TRADE VOLUME, PRICES, LABOUR MARKETS, AGGREGATE GROWTH & POVERTY

- 1. TRADE VOLUME:** Baier and Bergstrand (2001) examined data for 16 OECD countries between the late 1950s and late 1980s and concluded that trade policy played a critical role in the growth of trade. According to their results, real GDP growth explains approximately 67-69% of the trade growth, tariff reductions and preferential trade agreements explain 23-26%, transport cost reductions explain 8-9%, and real GDP convergence is found to have no effect at all. The authors argue that tariff reductions have a three-fold impact on transport costs, supporting the notion that trade policy is more significant than transportation costs. Despite these limitations of sample coverage, the main message of Baier and Bergstrand's work is that trade policy (i.e. tariff reductions) matters.

Yi's (2003) study on the factors driving global trade growth reached a different conclusion. His empirical research goes from the mid-1980s to 2000, covering a larger sample size than Baier and Bergstrand. He challenges the notion that tariff reductions played a significant role in global trade growth. Yi argues that vertical specialisation, where countries specialise in a certain stage of a good's production sequence, can explain these trends, both conceptually and quantitatively (by calibration). Thus, trade policy has played a critical role, but only in interaction with other (possibly technologically driven) developments that have contributed to the rise of vertical specialization in the production process.

- 2. PRICES:** Although trade policy has been extensively studied for its impact on trade flows, there is limited data on its impact on prices. Reducing trade barriers should result in reduced prices in the importing country, regardless of the theoretical model used in the analysis. Firstly, trade policy changes have a direct impact on import pricing. Tariff reductions can lower

import prices, although the exact amount depends on market conditions. Secondly, a reduction of trade barriers exerts competitive pressure on the domestic producers of final products. As import rivalry intensifies, producers may see a decrease in residual demand and an increase in price elasticity for their products. Trade liberalisation leads to lower prices and variable markups for domestic manufacturers, promoting competition.

Additionally, trade liberalisation is expected to reduce costs. Reducing trade barriers may result in lower pricing for intermediate inputs utilised in domestic production. Further, trade liberalization may lead to improved firm efficiency, further reducing costs. These cost reductions should also contribute to lower prices. Thus, the above considerations lead to the qualitatively unambiguous conclusion that a reduction of trade barriers should lead to lower prices in the importing country. The quantitative effect is unclear and depends on various factors such as demand, market structure, and competitive conditions. Only two recent studies, Topalova (2010) and De Locker, Goldberg, Khandelwal, and Pavcnik (2015), have focused on the price reaction to trade liberalisation in India. Both studies indicated that India's trade liberalisation reduced local prices by around 10%.

The reduction in prices is small in comparison to the significant cost reductions resulting from trade liberalisation. This is due to incomplete pass-through of cost reductions to final goods prices, resulting in rising markups. The results of the above 2 studies suggest that the pro-competitive benefit is overshadowed by the partial pass-through effect caused by variable markups, rather than a lack thereof. When evaluating trade policies, it is vital to consider that prices may only partially adapt to policy changes.

- 3. LABOUR MARKETS:** Research on trade and labour markets in developed nations primarily examines the impact of import competition and exporting on labour outcomes. This stands in stark contrast to the literature on developing countries, which has traditionally focused on the impact of trade policies. Literature on trade and labour markets is extensive and has been reviewed in several previous surveys (Wood (1999), Goldberg and Pavcnik (2007), Harrison, McLaren, and McMillan (2011), Pavcnik (2012), Goldberg (2015)).

It was observed that trade policy impacts labour market outcomes based on internal labour market tensions within a country. Through observations,

similar workers earn different wages based on industry affiliation and local labour market conditions. Trade policy reforms have varying effects on worker incomes across areas, with important economic implications. Trade liberalisation lowers wage premiums for workers in industries with significant tariff reductions compared to those with lower tariffs. Studies in developed nations show that trade policy has a greater impact on employment than on industry wages when tariffs are reduced (Grossman (1986)). Pierce and Schott (2015) analyse the impact of China's WTO membership on employment in the US manufacturing industry by eliminating trade policy uncertainty.

Studies on the impact of large-scale unilateral tariff liberalisations in developing nations show a decrease in relative poverty in areas with a higher concentration of industries that lost protection due to import tariff declines (Topalova (2010), Kovak (2013)). Trade policy affects worker outcomes, but its impact on income distribution differs depending on the situation. It affects labour frictions across regions and industries, particularly in emerging countries.

- 4. AGGREGATE GROWTH & POVERTY:** The relationship between a country's trade policy and economic growth is an important policy goal, with a long history of empirical research in international economics. Economists believe that reducing trade barriers promotes economic growth, although there is less evidence to support this at the aggregate level as per Rodriguez and Rodrik (2001) and Hanson and Harrison (1999). Is there a correlation between trade policy and economic growth? Do countries at a certain level of development opt for more liberalised trade policies? Alternatively, do countries with less restrictive trade policies have economic institutions associated with higher growth?

According to Taylor (2013), nations that liberalised trade policy throughout the 1980s and 1990s, influenced by the Uruguay round of WTO negotiations, experienced greater GDP per capita growth rates than those that did not. According to a version of Solow model they develop, decline in import tariffs on capital goods increases incentives for firms to invest, which in turn increases steady state growth. Lower tariffs on intermediate inputs increase productivity, and subsequently steady state growth. Further analysis finds that the positive relationship between trade liberalization and economic growth is driven by declines in tariffs on intermediate inputs and capital goods. Lowering tariffs on intermediate

inputs and capital goods led to higher imports, but decreasing tariffs on consumer items had no impact on economic growth.

The relationship between trade policy and poverty across countries remains empirically elusive in the absence of reliable survey data regarding average incomes of the poor. More work is needed in this area.

HOW RELEVANT IS THE LAW OF ONE PRICE IN PRACTICE?

The law of one price states that for any good i , $P_i = EP_i^*$, where P_i is the domestic-currency price of good i , P_i^* is the foreign currency price, and E is the exchange rate, defined as the home-currency price of foreign currency.

Some economists recognized that the law of one price is violated frequently (e.g., Giovannini; Isard; Knetter 1989, 1993, 1994; Richardson). Noting that, the law of one price holds very well for some highly traded commodities, for example, gold (Rogoff). However, the empirical evidence in most cases does not support the hypothesis that the deviations from the law of one price dampen quickly.

In a review article, Rogoff (1996, 680) writes of the "startling empirical failure of the law of one price." He concludes: "commodities where the deviations from the law of one price damp out very quickly are the exception rather than the rule" (Rogoff 1996, 650). Evidence implies that deviations from LOP are linked to changes in nominal exchange rates. Many developing countries' nominal exchange-rate strategies lead to significant and long-term fluctuations in real exchange rates. Trade barriers and transportation expenses usually play a minor role.

Dollar (1992, 525) acknowledges that "there might be short-term fluctuations [unrelated to trade barriers] if purchasing-power parity did not hold continuously," but considers that these fluctuations would average out over time. Rogoff (1996, 647) concludes in his survey that the speed of convergence to purchasing-power parity (PPP) is extremely slow, of the order of roughly 15 percent per year.

Nominal exchange rate changes, unlike trade policies, have a clear impact on the domestic price level of traded goods compared to international prices when LOP fails: an appreciation raises the price of both import-competing and exportable goods relative to foreign prices, and a depreciation has the reverse effect. Countries that do not allow the nominal exchange rate to decline in each step with domestic inflation experience an appreciation of the real exchange rate, resulting in higher domestic prices relative to foreign levels and a high distortion index rating.

Distortion is theoretically appropriate as a measure of trade restrictions when three conditions hold (which are counterfactual):

- there are no export taxes or subsidies in use
- the law of one price holds continuously
- there are no systematic differences in national price levels due to transport costs and other geographic factors.

The departure from law of one price and the effect of geography--are particularly important in practice. Distortion varies cross-sectionally due to differences in nominal exchange-rate policy and location, not trade constraints.

INTERNATIONAL TRADE: POSITIVE & NEGATIVE INFLUENCES ON ECONOMIC GROWTH

Positive Influence

International trade is also concerned with the distribution of economic resources among countries. Free trade allows for the production and sale of the greatest items in competitive markets. Efficient production provides global benefits, including improved quality and cheaper costs. The principle of international trade is to buy goods and services from countries with the lowest prices and sell them to countries with the highest prices. This benefits both consumers and sellers, as well as developed countries. They could boost their economic development. They can import machinery and adopt foreign technology. Economic self-reliance requires a reduction in growth, as all countries experience it. Developed nations rely on developing nations for raw materials for their businesses. If each country simply produces for its own requirements, the production and consumption of products will be limited. The current scenario hinders economic advancement. Furthermore, the global level of living would remain stagnant.

Internal trade allows wealthy individuals to obtain commodities and services unavailable in their home nations. Consumer satisfaction can be maximised. International trade injects global competitiveness and hence the domestic business units tend to become very efficient being exposed international competition. Due to the integration with the world economy the entrepreneurs can have easy access to the technological innovations. They can utilize the latest technologies to enhance their productivity. Developing countries have higher trade protectionism measures than developed countries. Countries that have implemented such measures recognise the benefits of free

trade regimes. Developing countries export labour-intensive products such as apparel, footwear, and textiles to both developed and poor countries. Exports generate significant tax revenue for countries including Mexico, India, and China.

International trade has also contributed to a reduction in poverty levels. India's economy was closed in the 1960s and 1970s. Poverty rates did not decrease by even 1%. Globalisation and international trade transformed the situation. Prof. Jagadish Bhagwati suggests that poverty reduction occurs through a pull-up rather than trickle-down impact. International trade can stimulate economic growth and produce financial resources. These resources can be utilised to set anti-poverty programmes. Improved education and health facilities can benefit the poor. Eliminating trade restrictions in developed countries' agricultural products will result in lower production and higher global pricing. Developing countries profit by selling or exporting things at higher global prices.

International trade provides opportunities for entrepreneurs in developing nations to access global markets. It facilitates access to cutting-edge technologies for enterprises in participating countries. It causes an increase in competition existing both domestically and globally. Domestic entrepreneurs strive for efficiency to compete with global peers, resulting in better resource utilisation. Open trade policies create opportunity for countries interested in international trade. Developing countries are increasingly driving the performance of the global economy. Trade between emerging countries is becoming equally essential as trade with industrialised economies.

Negative Influence

International trade has multiple drawbacks, especially several significant social and environmental impacts. Profit may at times take precedence over people's well-being. The trade of commodities and services between nations can lead to dependence on foreign countries and job losses in the home country. The flow of goods and services from developed to emerging nations can have a considerable negative impact on their cultures. Certain music and films from the United States might fail to be sold in its original form or even at all in other countries where culture or religion dominates due to potential changes in attitude and behaviour.

Profits often come at the expense of people's well-being in nations producing goods and services that are profitable. Profits at times benefit a small

minority, who might not be the actual citizens of the nation being exploited. In third-world countries, workers often face unfair working conditions, such as low wages or unhealthy workplaces. Even in the absence of unfair working conditions, developing nations have lower production costs for goods and services. Allowing these countries access to major markets can lead to employment losses and the collapse of industries in developed countries as they lose competitiveness. Global trade can also lead to destruction and depletion of natural resources. Several nations often over-exploit their natural resources due to a desire for profit, leading to future issues.

Nations with small economies rely largely on trading partners in developed countries. It is not uncommon for wealthy nations to attempt to exploit these relationships. They use their economic power to influence political decisions beyond their trade activity. Furthermore, drawbacks of international commerce stem from countries' dependency on one another.

Case Study: Economic Reforms & Foreign Trade in Indian Context Due to Gulf War (1990-91)

The Gulf War (August 1990- February 1991) was a combat battle between Iraq and a 42-nation coalition led by the US. The invasion was mainly driven by disputes about Kuwait's alleged slant drilling in Iraq's Rumaila oil field, as well as a desire to eliminate Iraq's massive debt to Kuwait from the just concluded Iran-Iraq War. It resulted in a dramatic surge in global oil prices, quickly rising import costs, and widening trade deficits. Short-term credit started to dry up in India. The volume of medium-term commercial borrowings decreased, and net withdrawals of non-resident Indian deposits began. By the end of June 1991, foreign currency holdings had dropped to Rs 2,383 crore, just enough to cover two weeks of imports.

In 1991 and 1992, the government of India borrowed around \$2.5 billion from the IMF. This marked a turning point. The Indian government gradually implemented the IMF-World Bank's stabilisation and structural adjustment programme. In July 1991, the rupee was devalued by 18% versus major currencies. In 1992, the Liberalised Exchange Rate Management System implemented a dual exchange rate regime with both official and market rates. Many import items, including raw materials, capital goods, and intermediate goods, were moved from restricted to open general licence (OGL) lists. In 1993, foreign exchange budgeting was abolished, leading to a uniform exchange rate and removal of import restrictions. In August 1994, India accepted Article

VIII of the IMF, committing to no longer using exchange restrictions on international transactions to manage its balance of payments, marking the final step towards current account convertibility. Exchange rate policies led to a decline in the rupee's value against the US dollar, from Rs 17.94 in 1990-91 to Rs 33.45 in 1995-96 and Rs 43.20 on July 20, 1999.

Industrial licencing controls have been removed since 1991. In 1998, there were just six industries that still required industrial licencing. In 1998, the public sector's limited industries were reduced to four. In 1991, the policy on foreign direct investment (FDI) was liberalised, allowing for automatic approval of up to 51% shareholding in priority industries. In 1997, the number of prioritised industries climbed to 48. Moreover, automatic clearance for foreign direct investment up to 74% equity. During the 1980s, the government relied on both domestic and external commercial borrowing to cover rising budget deficits. Consequently, internal payments increased. To decrease budget deficits and promote private investment, the government reduced its investment and relaxed rules.

Indian economic reforms of 1991 (liberalization, privatisation, globalisation) aim to increase production growth by addressing supply-side issues. They have three objectives. The first approach involves efficient resource allocation through the market system. The role of state intervention is decreased. The second goal is to move resources from the state to the private sector, and from import-competing to export-oriented enterprises. The third step is to increase economic openness, exposing domestic enterprises to more foreign competition. The assumption is that industrialization through import substitution and state involvement resulted in inefficient resource allocation and utilisation. Foreign trade policies had a bias in favour of import substitution. Competition alone did not drive technological advancement and innovation. Insufficient investment in R&D hindered technical advancement and innovation.

The scale of capacity in Indian enterprises had been below the world level. This means that Indian producers did not benefit from economies of scale. The Monopolies and Restricted Trade Practices Act (MRTP Act) and industrial licencing regulations have been cited as reasons for investment regulation. Economic reforms were intended to boost exports and improve the trade balance. Despite the declining value of the rupee, imports have increased rapidly. Trade deficits rose from US \$1,546 million in 1991-92 to \$6,398 million in 1997-98. Imports of capital goods, particularly non-electrical machinery, increased during the first half of the 1990s (see Table 1).

There are three causes- firstly, Indian firms introduced cutting-edge technology to compete with international manufacturers. Secondly, foreign direct investment increased. Joint venture enterprises typically start with foreign cash. They often import capital items from their home nations due to close connections with headquarters. Thirdly, import charges were reduced,

Table 1: Composition of India's Main Imports

(US \$ million)

Items	1980-81	1985-86	1990-91	1995-96	1997-98
Agriculture and allied products	2,601 (30.7)	2,362 (27.7)	3,521 (19.4)	6,320 (19.9)	6,375 (18.8)
Leather and leather manufactures	493 (5.8)	603 (7.1)	1,430 (7.9)	1,731 (5.4)	1,469 (4.3)
Chemical and allied products	284 (3.3)	389 (4.6)	1,176 (6.5)	2,945 (9.3)	3,632 (10.7)
Machinery, transport and metal manufactures*	1,045 (12.3)	747 (8.8)	2,158 (11.9)	4,358 (13.7)	4,987 (14.7)
Cotton yarn, fabrics made-ups	516 (6.1)	449 (5.3)	1,170 (6.4)	2,577 (8.1)	3,254 (9.6)
Readymade garments of all textile materials	696 (8.2)	835 (9.8)	2,236 (12.3)	3,676 (11.6)	3,776 (11.1)
Gems and jewellery	782 (9.2)	1,176 (13.8)	2,924 (16.1)	5,275 (16.6)	5,116 (15.1)
Total exports	8,486	8,526	18,143	31,797	33,980

Notes: *Also includes iron and steel, electronic goods and computer software.
Figures in parentheses indicate percentages.

Source: Government of India, *Economic Survey* (various issues).

Table 2: Composition of India's Main Exports

(US \$ million)

Items	1980-81	1985-86	1990-91	1995-96	1997-98
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Figures in parentheses indicate percentages.

Source: Government of India, *Economic Survey* (various issues).

and regulations on capital items were loosened. Imports of capital goods have dropped since the start of economic stagnation in 1996–97.

FINDINGS

The results showed that trade policies had positive effects on economic growth by felicitating human development, labour rights, and environmental quality, but also increased income inequality and carbon emissions. If one nation supplies all or a large percentage of another nation's materials or services, they may impose trade restrictions for financial gain or to address disputes. While the economic growth may seem beneficial because of such policies, there also exists imperative drawbacks due to the such as greater economic dependence, adverse effects on the balance of payments (BOP) of a country, and may even the domination of developed countries over dependent underdeveloped countries to fulfil their mean interests.

CONCLUSION

The research paper that began with a question “Does international trade policies really play a role in economic growth?” has now reached the final stage of providing a relevant answer for the same. After reviewing various research papers written by renowned scholars and economists, we could find out that international trade policies have a positive effect on economic growth of both developed and developing nations. This paper sheds light on the complex relationship between trade policy, namely trade agreements, and economic progress in developing nations. Trade agreements undoubtedly influence economic results, but their impact is varied and context-dependent. While crucial for shaping economic outcomes, the impact is varied and context-dependent. Previous research highlights the need for a deeper knowledge of how trade agreements impact economic development.

Trade agreements can greatly contribute to economic development in developing nations. Positive results include higher exports, GDP growth, and the influx of foreign direct investment. Trade agreements may not benefit all countries equally, and various factors can limit their effectiveness for developing nations. The quality of institutional arrangements, targeted industries, and ability to control unfavourable repercussions, such as economic inequality and environmental degradation, are all important considerations to consider when developing agreements.

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