Chapter 15
Globalization, Trade Competitiveness, and Economic Development: Empirical Evidence From India

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ABSTRACT
Competitiveness has assumed centrality in the debate of globalization and economic growth. In a free market economic environment, economic efficiency assumes importance to fuel international business and economic growth. In a globalized contemporary economic environment, most countries have espoused economic development models based on Washington consensus to achieve faster growth during last three decades. In 1991, India had liberalized its economy to join the globalized world to reap the benefits of a free trade environment. From a very modest economic background, India has taken the center-stage of global economy due to its sustained economic growth rate and achievements in economic development indicators in the post liberalization era. In its perusal of economic growth, India has achieved significant economic progress based on competitiveness and economic efficiency. This paper attempts to analyze the challenges of sustaining trade competitiveness and economic growth from Indian perspective in the wake of renewed concerns on sustainability issues in a competitive globalized environment.

INTRODUCTION
In the contemporary globalized scenario, trade competitiveness has been crucial in determination of international trade relations. Soon after India joined the global economy in the early 1990’s, as part of its liberalization initiatives, excessive protectionist import duty structures were done away with to facilitate faster bi-lateral and multilateral trade relationship with rest of the world. Due to such measures, India has achieved very high growth rates in most economic indicators during last two decades. The exceptional economic progress by India despite its rich cultural diversity has been phenomenal. Though many
economists attribute such high growth rates to poor base of India’s GDP in the 1980’s, the economic performance has been commendable which has brought India to the center stage of global economy. In its quest for faster economic development, since independence, India has gone experimenting with various economic models, which focus on export-led growth. However, a late entrant to join the globalization trend as compared to its Asian peers, India has made significant inroads in exports of services and gained hugely from the trade due to its inherent cost-competitiveness, which has contributed to its sustained high growth rates. This paper examines the challenges of sustaining high exports growth in a fast changing trade scenario and India’s relative position in cost competitiveness among its peers in the wake of sustainability concerns in an increasingly connected global economy.

**An Overview of Literature on Competitiveness and Economic Growth**

In literature, economic theories have laid too much emphasis on national income aggregates and income growth to explain economic development. Such emphasis has been based on the argument that higher levels of income and increased purchasing power can offer all-round societal prosperity ensuring a better quality of life. Economic growth models are widely followed due to their strong theoretical grounding with no ambiguity, as the entire focus is on an increase in aggregate output, which is quantifiable. The theories of economic development emphasize growth and redistribution of income for an equal and prospered society that is characterized with an all-round development. For higher economic growth, the focus has been on the neoclassical economic growth model that emphasize on factor productivity, which is crucial for higher output and growth (Williamson, 2004). To attain higher productivity, the focus has been on country specific specialization of production and since the theory of comparative advantage in the 18th century, it is unanimously understood that trade is the key to faster economic growth and development. After a brief lull in international trade between World War-II, since 1950s, and the emphasis has been on exports to boost economic growth. As a result, all the countries have been aggressively promoting exports to remain competitive; many resources have been devoted to innovation to ensure cost competitiveness through higher factor productivity. This section attempts to provide an overview of the existing literature that deal with competitiveness and economic growth.

The seminal and pioneering work on trade by Adam Smith (1776), in the theory of absolute advantage had advocated the scope for international trade arising out differences in factor productivity by countries which ensures country specific specialization resulting in higher global output and hence larger GDPs for the respective countries who participate in trade. The classical theory of economic stagnation (Ricardo, 1817) had furthered strengthened the arguments of factor productivity through comparative advantage and advocated the law of diminishing returns has been the pioneering one to explain economic development. In literature, most of the theories on export-led growth have emphasized on cost competitiveness and innovation to boost exports to achieve higher economic growth for an economy. Godfrey (2008) argues that competitiveness is central to operation of markets and as it fosters innovation, productivity and growth. He argues that barriers to competition are pervasive and harm innovation and growth in developing countries. Korez and Tominc (2016) have explored country competitiveness and entrepreneurship as drivers of economic growth. Their empirical analysis concludes that a country’s competitiveness comprises endogenous and exogenous variables of economic growth and found that there is a robust correlation between the two for a sample of central and eastern European EU member states. Petrariu et.al (2013) have empirically established the link between innovation and economic growth in the central and eastern European countries (CEE). They argue that, innovation and competitiveness...