

INDIA – INTERNATIONAL TRADE PROSPECTS AND TRENDS

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Abstract

This paper examines the new dynamics of India's global trade, with particular focus on the strategic drivers of infrastructure growth, logistics digitalization, and recent policy changes like the Foreign Trade Policy (FTP) 2023–28. Based on an in-depth examination of up-to-date trade trends, technological innovations, and regulatory changes, the paper contends that India is optimally poised for deeper global integration of trade. It points to upcoming sectors such as renewable energy and digital services as drivers of growth and identifies structural issues and geopolitical threats that may hinder progress. The report concludes with policy suggestions for policymakers and private actors in order to fulfill India's goal of \$2 trillion exports by 2030.

I. Introduction

As the fifth-largest economy in the world, India is becoming more and more important in the changing dynamics of international trade. India is at a strategic point as countries evaluate their supply chains during the COVID-19 pandemic and geopolitical changes. The nation has a rare chance to turn its trade ecosystem into a resilient and globally competitive model thanks to its proactive trade policies, growing digital infrastructure, and demographic advantage.

Innovation, economic expansion, and integration into global chains have all long been fueled by international trade. Trade with other countries boosts India's GDP, creates jobs, encourages industrialization, and builds up diplomatic ties. India's imports and exports have increased steadily since liberalization in the 1990s, with a significant diversification into goods like textiles, engineering products, and pharmaceuticals, as well as services like finance and IT. But facing issues, like a significant rise in trade deficit or bottlenecks in the infrastructure, call for careful policy change and calculated investment.

The disruptions brought on by the pandemic made clear how important supply chain effectiveness and logistics are to preserving trade continuity. India has responded by speeding up infrastructure projects like modern ports, and multimodal logistics parks.

At the same time, new trade opportunities have been made possible by the digitization of cross-border payment systems, e-commerce platforms, and customs.

India started the Foreign Trade Policy (FTP) 2023–28 to improve its standing internationally. Increasing exports, developing trade ecosystems digitally, and establishing export hubs across districts are the main objectives of this ambitious roadmap. Leaders in the private sector, such as CMA CGM, contribute significantly to these government programs by advancing sustainable logistics and improving shipping capabilities.

Against this backdrop, this paper explores the central research question: **How is India leveraging trade infrastructure, policy reforms, and digitalization to strengthen its position in global trade?**

According to the study's thesis, developments in business infrastructure, technological advancements, and supportive policy frameworks have greatly improved India's chances for international trade. However, achieving this potential requires overcoming systemic limitations and adjusting to changing dynamics in international trade.

II. Literature Review

a. Theoretical Framework

A theoretical foundation in both traditional and contemporary economic frameworks is necessary to comprehend India's role in international trade. This has traditionally meant taking advantage of India's large labor pool and competitive service industry, particularly in the areas of IT, medication, and outsourcing for business processes. Nonetheless, new trade theories and global value chain (GVC) models have surfaced to take intra-industry trade and vertical specialization into account as global trade grows more complex. The requirement for supply chain updating by means of infrastructure, quality regulations, and digital compliance procedures is demonstrated by India's partial integration into GVCs, particularly in the technology, automobiles, and textile industries.

To explain trade capacity, infrastructure economics is also essential. The World Bank (2023) claims that multimodal infrastructure and effective port logistics can cut trade costs in emerging economies by as much as 40%.

Furthermore, theories of transaction cost economics and trade facilitation explain how digital platforms and less red tape can boost competitiveness. In this regard, models forecasting trade benefits from seamless cross-border movement are in line with India's implementation of digital trade documentation, and paperless customs systems.

In conclusion, by establishing India's recent trade advancements in economic theory—which complements the practical assessments in the next section—this section lays the analytical groundwork for the remainder of the study.

b. Empirical Literature

An extensive amount of empirical research has been drawn to India's increasing economic integration with the rest of the world. India's trade-to-GDP ratio has risen steadily over the last 20 years, indicating greater involvement in international trade, in accordance to the World Bank's data (2024). The increase in service exports and the steady advancement of trade infrastructure have contributed to this change.

India is frequently positioned alongside peer economies such as China and Vietnam in comparative studies. According to research by UNCTAD (2023), India has a comparative advantage in technological services and pharmaceuticals, but Vietnam has surpassed it in manufacturing exports as a result of its greater incorporation into global value chains (GVCs). Nonetheless, India's export portfolio is still less varied and more dependent on a small number of industries.

India's merchandise exports face difficulties such as irregular logistics, regulatory barriers, and low value addition, despite the country's robust service exports, according to the Reserve Bank of India (2023). Numerous sectoral studies have looked at performance in engineering goods, chemicals, and textiles, highlighting the need for improved infrastructure and alignment with international standards.

Furthermore, case studies from institutions like Brookings India and NITI Aayog demonstrate how government programs like Sagarmala and Made in India have improved logistics performance and customs efficiency.

c. Gaps in Literature

There are two obvious gaps in the wealth of research on India's trade performance. First, rather than looking at how infrastructure, digitalization, and policy reforms work together to influence trade outcomes, many studies treat these topics as distinct silos. This disarray makes it more difficult to fully comprehend how logistics development, technology acceptance, and regulatory frameworks can work together.

Secondly, there is a dearth of experiential knowledge—few studies include first-hand accounts from logistics companies that are at the forefront of India's trade environment. Field-level observations and internships, like those provided by CMA CGM India, can provide insightful operational context that grounds and enhances macroeconomic data.

III. Current State of India's International Trade

Over the past five years, India's trade environment has changed significantly. According to the Ministry of Commerce data, the total value of imports and exports increased steadily between 2019 and 2024, with exports surpassing \$800 billion in 2024. This indicates India's increasing competitiveness in both goods and services and represents a robust recovery from pandemic-era lows.

Nearly 40% of all exports are services, particularly in the areas of business process management, or BPM, and information technology (IT). In FY24, the software industry alone brought in more than 180 billion dollars in export earnings. In the meantime, engineering goods, chemicals, and pharmaceuticals have been the top export

categories for merchandise. Additionally, India has gained ground in industries like electronic devices and auto parts.

However, imports continue to be driven by essential needs; the import basket is dominated by capital goods, electronic components, and energy products (coal and crude oil). Although India is still a net purchaser in general, the trade deficit decreased from \$121.6 billion dollars in FY23 to \$78.1 billion dollars in FY24. A minor but significant drop in volumes of imports and an increase in highly valuable service exports are partially to blame for this.

The US, China, the United Arab Emirates, Saudi Arabia, and Netherlands are among India's top trading partners. India's top export market is now the United States, especially for pharmaceuticals and digital services. But because of geopolitical tensions and reliance on imports from China for commercial components, trade with China is still complicated.

India's increased integration into international markets is demonstrated by the notable improvement in the trade-to-GDP ratio. Although additional structural reforms are required to maintain long-term growth, government initiatives like the FTP 2023–28, new free trade agreements, and logistics reforms are starting to have an effect.

IV. Infrastructure and Digitalization Trends

India's aspirations for international trade are largely dependent on two vital enablers: digital transformation and physical infrastructure. In light of this, both the public and private sectors have made investments to rectify long-standing inefficiencies in border and logistics management a top priority.

a. Infrastructure Development

Modernizing ports, cutting logistics costs, and establishing multimodal connectivity have been the main goals of India's infrastructure push. The goals of projects like Sagarmala are to improve coastal community integration, port capacity, and connectivity to the hinterlands. In addition, the Gati Shakti National Master Plan is simplifying waterway, rail, and road infrastructure projects.

CMA CGM and other private logistics companies are also making contributions. CMA CGM increases transit speed and reliability by offering direct services from Indian ports to Southeast Asia, the Eastern Mediterranean, and Europe. India's export readiness is further supported by the company's investments in frozen storage, warehousing, and environmentally friendly shipping, especially for high-value and perishable goods.

b. Digitalization and Trade Efficiency

Customs and documentation are where India's digital transformation is most noticeable. Mechanisms like Universal Life Insurance and e-Sanchit combine logistics as well as clearance information in real time, and the ICEGATE portal facilitates paperless filing. Particularly for SMEs, these platforms are improving predictability and cutting down on clearance times.

India's potential for digital trade is also reflected in the growth of cross-border e-commerce. Indian exporters, especially artisans, SMEs, and Agri-producers, are finding it easier to reach international markets thanks to websites such as Amazon Global Selling and Flipkart. The government's emphasis on data localization, fintech integration, and electronic payment systems facilitates compliance and exports of digital services.

In general, digital reforms and infrastructure improvements are enhancing India's competitiveness in international trade. To fully reap the benefits, however, last-mile logistics must be improved, ministry coordination gaps must be filled, and small exporters must have fair access to technology.

V. Policy Reforms and Trade Facilitation

Progressive policy frameworks that encourage exports, streamline processes, and foster international collaborations have had a significant impact on India's trade growth. The Foreign Trade Policy (FTP) 2023–28, the focal point of current policy, focusses on enabling trade ecosystems rather than previous incentive-based strategies.

The ambitious goal of \$2 trillion in trade by 2030, evenly divided between goods and services, is set by the FTP. By digitizing approvals and lowering compliance burdens, it highlights ease of doing business. Among the main programs are:

- The districts as Exports Hubs, which encourage regional manufacturing and international integration.
- The Advance Authorization and EPCG Schemes, which facilitate exporters' access to raw materials and machinery imports.
- RoDTEP (Remission of Duties and Taxes on Export Products) to maintain competitiveness on a worldwide scale.

By committing or establishing free trading agreements (FTAs) with nations like Australia, the United Arab Emirates, and the United Kingdom, India has further enhanced its international trade diplomacy. The goals of these free trade agreements are to lower tariffs, standardize standards, and give Indian exporters access to new markets.

The government agencies like DGFT and programs like the NIRYAT portal facilitate MSMEs' capacity-building and real-time export tracking. These changes show a change in policy from incentives to market diversification, sustainability, and value chain integration.

However, there are still issues with putting policies into practice, especially when it comes to coordinating federal and state-level facilitating trade initiatives and guaranteeing uniform understanding among small exporters.

VI. Challenges and Structural Constraints

Despite advancements, India's international trade environment still faces a number of internal and external obstacles that, if ignored, could limit long-term gains.

a. **Infrastructure Gaps**

Capacity restrictions, traffic, and antiquated machinery still plague many of India's ports and shipping lanes. Particularly for bulk and containerized exports, these bottlenecks raise turnaround times and expenses. Smaller and regional ports are not keeping up with the modernization of major ports.

b. **High Trade Costs and Regulatory Burdens**

Determined at 13–14% of GDP, India's logistics expenses are still among the highest in the world, while those of advanced economies are between 8 and 9% (NITI Aayog, 2023). Exporters are further burdened by regulating complexities, compliance costs, and uneven state-by-state implementation.

c. **External Vulnerabilities**

External shocks such as protectionist tendencies, worldwide economic downturns, and geopolitical tensions can have a significant impact on India's trade flows. The necessity of risk diversification in sourcing and destination markets is highlighted by trade tensions with China as well as disruptions in West Asian shipping lanes.

d. **Inclusion and SME Participation**

Large corporations profit from digital systems and trade reforms, but small and medium-sized businesses (SMEs) frequently face barriers to global networks, technology, and funding. In order to make trade increase more inclusive, there must be more support for SME integration.

Maintaining India's increasing trade trajectory will depend on addressing these structural barriers through improved coordination, focused incentives, and wider awareness campaigns.

VII. Future Prospects and Strategic Recommendation

With the help of beneficial international realignments and domestic reforms, India's international trade pattern between 2024 and 2030 is set for strategic expansion. Short- to medium-term candidates are described in this section along with practical suggestions for private stakeholders and policymakers.

a. **Short- and Medium-Term Outlook (2024–2030)**

It is anticipated that India will see faster growth in particular export markets in line with changes in global demand. For example, there are a lot of opportunities in the renewable energy sector. India may become a vendor of wind turbines, solar energy systems, green hydrogen technological advances, and biofuels as nations make commitments to become carbon neutral. India is also well-positioned in the European and American markets by exporting green-certified products, such as sustainable textiles.

Digital services are expected to continue growing rapidly at the same time. Exports of AI approaches, finance channels, Health tech solutions, and data analytics will supplement India's leadership in business and IT process outsourcing. Internationally shipment of these digital goods is supported by the increasing acceptance of cloud-based and remote services.

For market development, India wants to raise its share of global trade from about 2.1% in 2024 to over four percent by 2030. This would necessitate consistent yearly export growth of more than 10%, bolstered by robust market penetration in Southeast Asia, Africa, Latin America, and Eastern Europe.

b. Strategic Recommendations

For Policymakers:

- To lessen regional disparities in trade access, underutilized coastal states should increase their port capability and logistics infrastructure.
- To enable tariff-free market access, finalize and execute free trade agreements (FTAs) with important partners like the EU and the UK.
- Make sure that policies are clear and consistent over the long run, particularly regarding export subsidies for renewable energy and rules governing digital trade.
- Encourage small exporters to use credit guarantees, export insurance, and digital compliance support.

For the Private Sector:

- Make an investment in technologically advanced logistics solutions, such as advanced statistical analysis for inventory optimization and blockchain technology for supply chain traceability.
- Implement green logistics techniques, like emissions monitoring, sustainable packaging, and electric delivery fleets.
- Create SME support ecosystems by integrating smaller suppliers into global value chains, assisting with export certifications, and mentoring them.
- Work together with academic institutions to develop a workforce prepared for export-intensive industries in the future, particularly in the fields of technology and sustainability.

By working together, these steps can help India achieve both its two trillion-dollar export goal by 2030 and a strong, inclusive position as a global trade leader.

VIII. Conclusion

Recent years have seen a rapid evolution of India's international trade environment, driven by investments in infrastructure, digital innovations, and strategic policy reforms. This study has looked at how these elements have improved India's competitiveness in international trade while also pointing out the ongoing structural and external issues.

Through programs such as the Foreign Trade Policy 2023–28, port modernization initiatives and trade facilitation digital platforms, India is demonstrating real progress, according to the analysis. With impressive results in online services, medicine, and renewable technologies, the nation's export base is becoming more diverse. Furthermore,

private sector initiatives—such as those of companies like CMA CGM—are essential to streamlining logistics and cutting down on trade inefficiencies.

Notwithstanding these advancements, obstacles like global uncertainties, policy fragmentation, high trade costs, and infrastructure bottlenecks still limit the country's full trade potential. It will be crucial to address these problems through effective coordination between the public and private sectors.

In the long run, India's goal of growing its export economy to \$2 trillion and gaining a larger portion of world trade is both ambitious and doable. India is in a strong position to move from being a regional trade player to a major player in international trade with targeted investments in digital trade, green energy, and inclusive export strategies.

By combining analysis of policies, the infrastructure assessments, and practical insights, this study adds to the larger conversation. To offer more detailed suggestions, future studies could investigate firm-level business data and regional differences in export performance.

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