


Chapter 2

Comparative Advantage of India in Foreign Trade With Japan

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ABSTRACT

This study assesses the foreign trade affecting factors based on review of literature. It also observes the impact of foreign trade on social and economic activities as per the existing studies. It explores the trend pattern of foreign trade of India with Japan since 1991. Finally, it also estimates the revealed comparative advantage index (RCAI) to examine India's potential in foreign trade with Japan after 1991. Technology, IPRs, R&D expenditure, technology spillovers, exchange rate, government policies, institutional activities, competitions, investment pattern, saving, inflation, national income, subsidies for exporters, restrictions on imports, reciprocal demand, tariff, change in factor endowments, balance of payments, international capital flows, bilateral and multilateral agreements and import substitutes, and economic structure of the countries are crucial drivers to increase foreign trade. The statistical values of RCAI also provide a confirmation that India is receiving potential benefits from foreign trade with Japan.

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1. INTRODUCTION

Foreign trade is highly crucial to increase the social and economic development in a country. Exchange of goods and services among the seller and buyers in a specific time period known as trade. Trade includes exports and imports of goods and services across the regions, states and countries. When the trade is between two or more than two countries known as international trade (Kumar, 2018). International trade includes the trading of different goods across the national boundary of a country (Abubakar & Shehu, 2015). Primarily international trade promotes business and entrepreneurship within and across countries (Surugiu and Surugiu, 2015; Singh and Jyoti, 2023; Singh et al., 2023). It provides and formulates a legal process to increase the involvement of two or more countries in trade. Also, international trade includes the exchange of commodities, products, services and capital between two or more than two countries (Dubravaska & Sira, 2015). Foreign trade is also a driver to increase industrial development that contributes to foreign reserves (Singh and Kumar 2022b). Import means the goods and services transported into a country, while export means goods and services sold to other countries. Foreign trade works as an engine for economic growth as it increases high possibilities for investment between trade partner countries (Gururaj et al., 2016; Iqbal et al., 2017). International trade is an economic transaction of goods and services among the two or more than two countries. However, at present international trade is becoming a complex and competitive activity due to globalization and establishment of free zones trade in developed and developing countries (Kumar, 2018; Yeo and Deng, 2019). Despite that, international trade has brought several opportunities to maintain inclusive growth and sustainable development across the world.

International trade is also effective to increase science & technological development, and discovery of more innovative goods and services (Frank, 2009). Subsequently, it prepares the conducive ecosystem for business and increases the high growth possibility for the manufacturing sector (Frank, 2009). International trade is a crucial driver to uplift the national income and per capita income, and reduce poverty and income inequality. International trade effectively contributes to increase aggregate demand and supply, and create optimum employment opportunities (Frank, 2009). Accordingly, international trade is highly effective to increase the socioeconomic development of citizens across countries (Frank, 2009; Sinha, 2016).

International trade is also useful to increase the communication with each other's, thus, it an effective medium to increase transfer of technologies, dissemination of technical knowledge, transmission of ideas, marginal talents, and create new market for goods and services, new business opportunities, suitable business ecosystem and entrepreneurship environment in a nation (Frank, 2009; Kumar, 2018; Singh, 2023). International trade is also effective to increase the high investment oppor-

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