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## **Evaluation of Haberler's Theory in Present Context: A Study of India's Trans-national Trade**

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*Trade is the growth engine of an economy and transnational trade not only help to organise the resources in best possible manner but also provided foreign currency as well. Many economists, in the past, propounded many valuable postulates and theories. With the passage of time some become irrelevant and others contains significance even after the decades. One of the important task for the researchers is to verify the past theories in modern context. The present study is an effort to find out the relevance of Haberler's Theory in Indian scenario. This study aims to critically evaluate Haberler's theory of international trade in the context of India's current trade dynamics. Bertil Ohlin's factor proportions theory, an extension of Haberler's work, emphasizes the role of factor endowments in shaping comparative advantages among nations. However, as the global economic landscape evolves, it is imperative to assess the relevance of these theories in the present context, particularly concerning India's trade patterns. This study seeks to contribute to the ongoing discourse on international trade theories by offering insights into the relevance of Haberler's framework in the context of India's current trade dynamics. By evaluating the factors influencing India's comparative advantages and trade patterns, the research aims to provide a nuanced understanding of the applicability of traditional trade theories in the evolving global economic scenario.*

**Keywords:** *Heberler's theory, International trade, economic growth, India;s trade dynamics, technological advancements*

India, with its diverse economy and burgeoning trade relationships, serves as an intriguing case study for assessing the relevance and effectiveness of Haberler's theory.



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Over the past few decades, India has experienced significant economic reforms trade liberalization

Haberler's theory of comparative advantage remains a cornerstone in the field of international trade, providing a framework to understand how countries benefit from specialization and trade. This theory posits that countries should produce and export goods and services in which they have a comparative advantage, while importing disadvantage.

In the context of India's vibrant and evolving economy, an evaluation of Haberler's theory offers valuable insights into the dynamics of its trade relations. India, as one of the world's fastest-growing major economies, has seen significant shifts in its trade patterns over the years, influenced by factors such as globalization, technological advancements, and changes in domestic and international policies.

India is a large and complex economy that faces many challenges and opportunities in its quest for growth and development. The country has undertaken various reforms to address its challenges and leverage its opportunities. India is one of the fastest-growing economies in the world, with a population of over 1.3 billion and a GDP of over \$3 trillion. However, the country also faces many economic challenges and has undertaken various reforms to address them. India has the potential to become a global leader in the 21st century if it can overcome its economic challenges and sustain its economic reforms.

### **Literature Review**

Following research literature is reviewed for the purpose of this research work:

**LászlóKónya and Jai Pal Singh (2006)** studied on - Exports, Imports and Economic Growth in India. The main objective was to determine Export and/or import and GDP are cointegrated& to Determine Export and/or import Granger cause GDP. The data were collected from several publications and websites, such as the Directorate General of Commercial Intelligence and Statistics, National Accounts Statistics, Planning Commission of India, Reserve Bank of India, and various issues of Economic Surveys. Tools like unit test &cointegration was used. The conclusion of the study was, indirect approach assumes that the variables are stationary or can be made stationary by differencing. It makes use of pretesting for unit roots and cointegration and, depending



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on the outcomes, testing for causality is carried out with Wald tests in VAR and/or VEC models in levels and/or first differences.

**Vijay Gondaliya&Mr.Paresh Dave (2015)** have studied - The Impact of Exports and Imports On Exchange Rates In India. The main objective of study is to examine whether the import or export effect the exchange rate (USD, EURO, POUND and YEN) in India. Data under this study was time series data , The data were collected from database of Reserve Bank of India and SEBI. Various technique were used like regression analysis, unit root test, granger casualty test. The major findings of this study was positive relationship between export and exchange rate but negative relationship between import and exchange rate. Also, the change in export will influence in positive changes in Indian Rupee against Euro, Pound, Dollar and Yen. But, Import is not positively influence on exchange rate between Euro, Dollar, Pound and Yen.

**Sani Hassan Hussaini, Bashir Ado Abdullahi, Musa Abba Mahmud (2015)** studied on - A Exports, Imports and Economic Growth in India: An Empirical Analysis. The main objective of the research was to investigate the dynamics of the relationship between exports, imports and economic growth in India using the annual data for the period 1980 to 2013. All necessary data for the sample period were obtained from IECONOMICS and Ministry for Commerce and Industry, Government of India. The variable use for this research was Total Exports by India (EXP), total Import (IMP) and Economic Growth (GDP) i.e. Gross Domestic Product (GDP). The major findings of the research were export causes economic growth which also turns around to cause export and economic reform policies and the shift towards a free market helped the economy to reallocate its resources to productive uses.

**Dr. Sachin N. Mehta (2017)** studied on - The Dynamics of Relationship between Exports, Import and Economic Growth in India. The objective of study was to measure export & import relationship including GDP. Data were collected from HAND BOOK OF INDIA (RBI) 2014-15. Test like Stationarity Test, Co-Integration Test & Granger Causality Test were used. The findings of the study were that the unit root tests show that GDP, Export and Import series become stationary when first difference are considered, and evidence of unidirectional causality running from GDP to Export, it means in long term GDP lead to Export but Export does not lead to GDP.

**RajuGuntukula (2018)** have studied on - Exports, imports and economic growth in India: Evidence from cointegration and causality analysis. The main objective of study is to Determine relationship between import and export & to measure growth and export promotion strategy, to also determine economic growth in unexplored way. Data was collected from the Handbook of Indian economy and statistics, RBI. All the variables of the study are converted into a natural logarithm. Various tools like unit root, granger, & co-integration were used. The conclusion of study was, export, imports and economic growth are stationary after the first difference form by using ADF and DF test and

suggests that both growth as well as export promotion strategy is pursued consistently with an emphasis on sustainable and inclusive growth.

### **Composition of Indian Foreign Trade:**

Following is the composition of Indian foreign trade:

#### **A. Composition of major Exports**

Composition of Indian Exports comprises of following principal commodities.

Sr. No.	Commodity	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Tea & coffee	1732.1	1597.6	1495.8	1503.9	1574.1	1805.9
2	Other Agricultural Products	13971	15738.7	15473	13006.5	13310.4	15877.3
3	Tobacco	924.1	1011.4	958.6	982	958.7	934.2
4	Oil Meals, seeds	4406.9	4088.1	3059.6	1799.9	2160.6	2264.2
5	Marine Products	3464.1	5016.6	5510.5	4767.5	5903.1	7387.7
6	Meat, dairy & poultry products	3804.3	5292.9	5385	4575.5	4368.8	4610.1
7	Iron Ore, Mica, Coal & Other Ores, Minerals	5466.5	5574.9	4418.8	3847.5	5111.7	5246.1
8	Leather & leather product	4771.9	5572.8	6030.5	5407.8	5165.6	5288.9
9	Ceramic products & glassware	1156.1	1292.2	1644.4	1712.1	1856.6	2131.4
10	Gems & Jewellery	42988.2	41388.3	41266.1	39284.3	43412.8	41544.4
11	Drugs & Pharmaceuticals	14421	14949.5	15431.5	16909.5	16785	17282.4
12	Organic & Inorganic	11478.8	12286	12473.6	11731.3	12336.1	15938.2

	Chemicals						
<b>13</b>	Engineering & electronic Goods	67434.5	71745.7	79335.6	67909	73179	85100.2
<b>14</b>	Cotton Yarn, Handloom Products etc. Man-made Yarn/Fabs./	14135.7	16199.6	16049.6	14741.1	14419.3	15084.1
<b>15</b>	RMG of all Textiles	12948.7	14990.5	16833.3	16964.4	17368.2	16706.7
<b>16</b>	Jute Mfg. including Floor Covering, carpets, handicrafts	2449.6	3029.2	3035.8	3383.5	3726.8	3587.4
<b>17</b>	Petroleum Products	60865.1	63179.4	56794.1	30582.6	31545.3	37456.6
<b>18</b>	Plastic & Linoleum	14421	6147.0	5746.0	5764.2	5796.5	6850.9
<b>19</b>	Other Commodities	11478.8	25315.3	19410.2	17418.8	16873.7	18279.4
	<b>Total Exports</b>	<b>300400.6</b>	<b>314415.7</b>	<b>310352.0</b>	<b>262291.1</b>	<b>275852.4</b>	<b>303376.2</b>

(Source: RBI Bulletins)

**B. Composition of Major Imports (in US \$million)**

Sr. No.	Commodity	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Cotton Raw, Vegetable oil, Pulses, & Fruits & Vegetables	15418.4	13280.7	15582.1	16641.7	17867.1	17617.7
2	Pulp and Waste paper	745.9	767.5	944	955.7	975.1	1154.6
3	Textile yarn Fabric,	1437.3	1503.6	1691.5	1715.1	1502.5	1837.4



	made-up articles						
4	Fertilizers, Crude & manufactured	8755.5	6263.9	7398.7	8071.5	5024	5376.3
5	Sulphur& Unroasted Iron Pyrites	319.5	183.1	286.4	217.1	131.2	165.9
6	Metaliferrous ores & other minerals	9152.2	8455.2	9299.4	7298.6	6194.2	9092.7
7	Coal, Coke & Briquettes, etc.	16995.9	16403.5	17802.6	13667.6	15759.9	22901.2
8	Petroleum, Crude & products	164040.6	164770.3	138325.5	82944.5	86963.8	108658.6
9	Wood & Wood products	5081.5	5127.3	5471	5048.1	4891.8	6027.7
10	Leather & leather products	739.3	823.3	1005.1	968.1	935.3	1009.2
11	Organic & Inorganic Chemicals	16784.1	17446.8	18593	16586.4	16598.4	20631.5
12	Dyeing/tanning/colouring mtrls.	2170	2419.1	2447.8	2247.5	2282.7	2887.5
13	Artificial resins, plastic materials, etc.	9988.5	10464.5	12070.3	11794.6	11964	14488.1
14	Chemical material & products, Newsprint	5663.4	5765.8	6145.3	5957.2	6225	7440.1
15	Pearls, precious & Semi-precious stones	22689.6	23988.4	22598.2	20069.9	23808.6	34278.9
16	Iron & Steel, Non-ferrous metals	26731.8	21563.8	27047.4	24703.6	21551.8	27429.2
17	Machine tools, Machinery, electrical & non-electric,						
18	Transport equipment	21286.9	19297.5	18345.4	18227.8	22687.7	22732.9
19	Project goods, Professional instrument, Optical goods, etc.	10309.8	8152.5	7345.9	6382.8	5931.6	6832.2



20	Electronic goods	32892.7	32384.7	36857.1	40021.9	41930.4	51541
21	Medical. & Pharmaceutical products	5461	5245.8	5432.8	5440	4995	5480.7
22	Gold, Silver	55795.4	33244.7	38930.7	35513.4	29357.2	36871
23	Other Commodities	23790.4	22473.7	23297	24340.8	25299.2	23345.5
<b>Total Imports</b>		<b>490736.6</b>	<b>450213.6</b>	<b>448033.4</b>	<b>381007.8</b>	<b>384357</b>	<b>465578.3</b>

(Source: RBI Bulletins)

### Conclusion:

The above data of Indian Exports and Imports shows that India exports labour intensive agricultural and allied goods and imports mostly capital intensive including the petro products from other developed nations. This is in line of Haberler's theory and his interpretation of international trade practices. Hence, it is concluded that Haberler's theory is very much applied in case of India's foreign trade trends and practices in the past six years. Haberler understood the essential idea of Ricardo, each country will produce those goods based on its natural resources, its labor, and capital factors, manufacturing more than it requires and exchanging the surplus with other countries against goods which it is less capable of producing or which it cannot produce at all. The problem, in his outlook, is not the idea, but the assumptions that Ricardo used to demonstrate the theory, the labor-cost theory.

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