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AI and Global Trade in India: Modern Time of Creativity and Interruption

Dr. Manoj Kr. Mandal

Assistant Professor, P.G. Department of Economics, Munger University, Munger, Bihar

ABSTRACT

This is the era of artificial intelligence. AI is transforming India's role in global value chains by enhancing productivity, optimizing and accelerating digital service exports. It is projected to add $957 billion to India's GDP by 2035, driving efficiency in manufacturing, automating customs and improving demand forecasting.

AI is changing India's international trade environment between 2017 and 2025. The study updates a significant gap in the literature by offering a thorough examination of India's overall investment in several AI fields and its resulting income. Using a mixed approach methodology, the study combines qualitative views from significant players with quantitative data from government papers, industry publications and financial market analysis. The primary claim is that AI has become a pivotal factor in India's economic development, boosting international competitiveness, efficiency and production. With an emphasis on the contributions of both official programmes and private enterprises, the abstract will provide a thorough analysis of investments across important industries, including manufacturing, IT, healthcare and finance. Additionally, it will calculate whole revenue from AI-enabled goods and services exports and its impact on the Indian economy. Through an examination of India's AI ecosystem's development from early adoption to a more established, strategic integration, the report shows how AI is changing existing trade models and opening up new opportunities for growth based on export. It will also go over the difficulties and disruptions, such as the need for a strong regulatory framework, skill shortage and data privacy issues. The results will offer insightful information to researchers, companies and politicians, laying out a strategic plan for India to fully utilize AI and establish itself as a world leader in modern era of trade.

Keywords: *Artificial Intelligence, Creativity, Interruption, Disruption, External Trade, Financial Markets.*

Introduction

The evolution of artificial intelligence (AI) technologies has progressively changed how organizations compete and operate in practically every industry in the entire world. International trade is one area where the shift is most noticeable, as AI-based technology and solutions transform current procedures, boost output, and spark new ideas. AI is essential for businesses looking to thrive in the global marketplace because it facilitates data-driven decision-making, supply chain efficiency, and operational optimization.

The use of AI in global trade, however, has also resulted in significant disruptions. Through everything from risk management to process automation, AI tools are upending established norms, creating new competitive dynamics, and compelling businesses to reconsider their strategies. This article explores the dual nature of AI's impact on global trade—its potential for disruption and its capacity for innovation—can be examined using a cost-benefit analysis. By examining the obvious benefits such as cost savings, predictive analytics, and better decision-making, as well as the disadvantages such as high upfront expenditures, data privacy concerns, and a lack of skilled workers, we want to comprehend how artificial intelligence is transforming global operations.

The ability of businesses to effectively use AI will determine how well they navigate the complex world of international trade in this age of transition. As AI is increasingly incorporated into the structure of global trade, striking a balance between innovation and disruption is essential. Even if the promise for greater productivity, more efficient procedures, and new business opportunities is unquestionable, it is impossible to overlook the challenges posed by ethical dilemmas, worker displacement, and regulatory limitations.

The cost-benefit analysis of integrating AI technologies into overseas operations should be viewed as a strategic requirement rather than only a financial one by companies hoping to maintain their competitiveness in a changing global market.

Objectives

1. To examine the role of AI in international trade operations in India.
2. To estimate the cumulative correlation test by comparing the total investments in AI in India with the total direct revenue generated from AI-enabled products and services.
3. To draw attention to the possible difficulties and disturbances faced as a result of AI implementation.

Scope of the Study

The effect of artificial intelligence (AI) on global trade is examined in this paper, with particular attention paid to the disruptive problems and innovative potential of AI. It looks at international markets and sectors with an emphasis on blockchain, machine learning, and predictive analytics. This study assesses the advantages, difficulties, and possibilities of AI in global business operations. The study evaluates the benefits of AI, such as efficiency and cost savings, against drawbacks, such as job displacement and legal issues. Although it has a wide perspective, the paper limits its discussion to technical AI development or case studies.

Methodology

This descriptive study focuses on trends, obstacles, and opportunities as it explores the development and effects of international trade in the AI era. It uses secondary data from scholarly publications, policy documents, and international trade reports (including WTO and UNCTAD reports). The study examines both qualitative and quantitative data from 2017 to 2023 to demonstrate how AI is changing international trade practices and the effects on market dynamics and business policies.

Review of Literature

Research has paid close attention to the integration of AI into international trade, highlighting how it can improve decision-making, streamline supply chains, and lower operating costs (Ozunk, 2024). Studies also point to issues including the digital divide between developed and developing economies (Shah & Wu, 2024), ethical dilemmas, and job displacement. To give a thorough grasp of AI's involvement in international trade, this survey of the literature looks at case studies, industry reports, and current research.

(Osman & El-Gendy, 2024) "Interconnected and resilient: A CGE analysis of AI-driven cyber attacks in global trade". The study uses a computable general equilibrium model to analyze the economic effects of AI-driven cyber attacks on international trade. It draws attention to how growing international and industrial interconnectedness increases the likelihood that such assaults may create economic disruptions.

(Ozturk, 2024) "The impact of AI on international trade: Opportunities and challenges" The article research.

(Osman & El-Gendy, 2024) "Interconnected and resilient: A CGE analysis of AI-driven cyber attacks in global trade". The study uses a computable general equilibrium model to analyze the economic effects of AI-driven cyber attacks on international trade. It draws attention to how growing international and industrial interconnectedness increases the likelihood that such assaults may create economic disruptions.

(Ofori, 2024) "The impact of AI on international trade: Opportunities and challenges". The article highlights a growing body of research focusing on both the transformative potential and the risks associated with AI integration in global commerce. It emphasizes that AI can significantly enhance the efficiency of global supply chains, optimize inventory management, and facilitate real-time tracking of goods, thereby reducing transaction costs and improving overall trade flows.

(Shah & Wu, 2024) "Towards AI-driven trade regulations: Regulatory challenges and global commerce within WTO framework". The article focuses on how AI can optimize trade processes, enhance compliance mechanisms, and address inefficiencies within the WTO framework. Also highlights significant challenges, including the need for standardized governance, ethical concerns, and the risk of exacerbating inequalities between developed and developing nations.

(Abu-Rumman et al., 2025) "Artificial Intelligence in international trade law and dispute settlement". The article examines the transformative role of AI in boosting the efficiency of international trade law and WTO dispute resolution mechanisms. The study discusses AI's potential to process complex data, predictive analytics, and assist in decision-making, potentially revolutionizing trade dispute settlements. AI can promote global economic integration by reducing trade barriers and ensuring fairness in legal procedures, aligning with modern business objectives.

(Jackson, 2022) "AI and the future of governing international trade". Evidence from panel data analysis. The effectiveness and cost-cutting aspects of AI's role in global trade are highlighted in the literature. Customs operations are improved, trade processes are optimized, and global market demands are met by AI solutions like automated supply chain management and predictive analytics. The digital divide, data privacy, and unequal access are still issues, though, highlighting the necessity of strong governance and equitable access.

Research Gap

Current research emphasizes how AI may spur innovation in global trade by easing cross-border operations, enhancing predictive analytics, and optimizing supply chains, but it frequently ignores the concurrent upheavals it brings about. There is still a lack of research in some important areas, such as employment displacement, ethical issues, cyber security dangers, and regulatory frameworks. Additionally, few studies examine the relationship between AI-driven breakthroughs and the disruptions they cause. By delivering a thorough examination of the relationship between AI-driven breakthroughs and the disruptions they cause, the study aims to close this gap and provide guidance for long-term integration in international trade.

Significance of the Study

Global supply chains and markets are being reshaped by AI's significant and quickly changing effects on international trade. Through the automation of intricate procedures, data-driven decision-making, and logistical optimization, AI technologies increase productivity and efficiency. Businesses can cut expenses, increase market reach, and streamline processes thanks to this shift. AI also makes it easier to create novel goods and services, which gives businesses using these technologies a competitive advantage. AI's impact on labor markets, trade regulations, and economic linkages is only going to grow as it develops further, offering both benefits and difficulties for nations involved in global commerce.

Key Uses of Ai in International Trade

1. **Supply Chain Optimization**

- **Demand forecasting:** AI estimates market demand precisely by examining market trends and historical data, assisting companies in effectively managing inventory.
- **Route optimization:** The best shipping routes are recommended by AI-powered tools, which cut down on fuel use and transit times.
- **Inventory management:** Automated systems track stock levels and place new orders when needed to reduce shortages or overstock.

2. **Customs and Compliance**

- **Automated documentation:** AI speeds up the generation and processing of customs documentation, reducing manual errors.
- **Surveillance of compliance:** AI monitors trade policy and tariffs to guarantee compliance with international trade regulations.

3. **Fraud Detection and Risk Management**

- **Fraud prevention:** AI looks for unusual transactions or trading patterns that might point to fraud.
- **Risk management:** Machine learning algorithms evaluate geopolitical and market risks, enabling businesses to mitigate possible problems.

4. **Finance for Trade**

- **Credit risk analysis:** AI forecasts repayment capacities and assesses trading partners' creditworthiness.
- **Smart contracts:** AI and blockchain work together to automate trade finance procedures like credit letters.

5. **Market analysis and Decision support**

- **Trade pattern insights:** AI recognizes possible trade opportunities and new market patterns.
- **Pricing strategies:** Dynamic pricing algorithms modify product prices according to market conditions, competition, and demand.

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7. **Transportation and logistics**

- Predictive maintenance: AI monitors the condition of transport vehicles to predict and prevent breakdowns.
- Autonomous shipping: Creation of AI-powered ships and vehicles to decrease human intervention and improve efficiency.

8. **Customer relationship management**

- Personalized services: AI adjusts communication tactics and product offerings to meet the needs of specific customers.
- Chatbots and virtual assistants: AI-driven platforms respond to customer inquiries and offer immediate assistance.

9. **Green trade and sustainability**

- Carbon footprint analysis: By streamlining supply chains, AI helps track and cut emissions.
- Eco-friendly logistics: algorithms encourage the use of environmentally friendly packaging and shipping techniques.

10. **Language translation and communication**

- Multilingual support: AI-driven translation technologies eliminate linguistic barriers in trade negotiations and documentation.
- Real-time interpretation: facilitates cross-border communications during meetings and conferences.

11. **E-commerce and digital platforms**

- Marketplace management: AI helps with fraud detection, product recommendations, and pricing on international e-commerce platforms.
- Customer insight: customer behavior is analyzed using machine learning to improve marketing tactics.

Ai in International Trade: Indian Perspective

This integration of AI in trade not only boosts India's export potential but also plays a crucial role in reshaping the country's global trade landscape. India's foreign trade is changing as a result of AI's increased competitiveness, cost savings, and efficiency. Important effects include:

1. Supply Chain Management: AI optimizes shipping routes, reduces bottlenecks, and improves warehouse management, streamlining the movement of goods across borders.
2. Customs and Compliance: AI automates customs declarations and compliance checks, speeding up cross-border processes and reducing paperwork.
3. Risk Management: AI tools assess trade risks and detect fraudulent activities, ensuring secure transactions.
4. Export Competitiveness: AI enables Indian exporters to predict market demand, tailor products, and optimize pricing strategies for global markets.

5. E-commerce: AI facilitates international sales by automating processes like currency conversion, customer service, and logistics for Indian businesses.
6. Trade Financing: AI improves credit scores and works with blockchain to make cross-border payments safer, more transparent, and faster.
7. Government Support: programs like "Digital India" encourage the use of AI, which accelerates trade automation and makes doing business easier.
8. SME Empowerment: AI enables SMEs to more successfully access global markets and enhance the quality of their products.
9. Agricultural Exports: AI raises the competitiveness of Indian agricultural exports by enhancing supply chain management and agricultural production.
10. Trade Policy: AI facilitates data-driven policymaking, which aids India in honing its approaches to trade talks and international trade.

All things considered, AI improves India's standing in international trade by increasing its efficiency, competitiveness, and economic integration.

Analysis and Discussion

A Cost-Benefit Analysis on Investment and Income Generated from Global Trade in Indian Context Estimated Ai-Related Spending and Revenue (Approx)

ANNUAL AI INVESTMENTS

| CATEGORY | AI INVESTMENT (IN USD) |

CATEGORY	2025	2024	2023	2022	2021	2020	2019	2018	2017
IT & SOFTWARE	2000M	1500M	1000M	750M	500M	300M	200M	100M	50M
HEALTHCARE	450M	350M	300M	250M	200M	150M	120M	80M	50M
MANUFACTURING & AUTOMATION	700M	500M	350M	250M	180M	120M	80M	50M	10M
AGRICULTURE & FOOD PROCESSING	700M	500M	350M	250M	200M	150M	100M	50M	20M
LOGISTICS & E-COMMERCE	1000M	750M	500M	350M	250M	150M	100M	70M	30M
FINANCE	750M	600M	500M	500M	400M	500M	300M	400M	300M

Sources: NITI Aayog, McKinsey, MeitY

ANNUAL AI REVENUE FROM GLOBAL TRADE

CATEGORY	2025	2024	2023	2022	2021	2020	2019	2018	2017
IT & SOFTWARE	2300M	1800M	1200M	900M	600M	400M	250M	150M	100M
HEALTHCARE	1300M	1000M	800M	600M	500M	400M	300M	200M	100M
MANUFACTURING & AUTOMATION	1300M	1000M	700M	500M	350M	250M	150M	100M	50M
AGRICULTURE & FOOD PROCESSING	2000M	1500M	1000M	800M	600M	400M	200M	100M	30M
LOGISTICS & E-COMMERCE	2000M	1500M	1000M	750M	500M	350M	200M	100M	50M
FINANCE	2000M	1500M	1200M	1000M	900M	800M	700M	600M	500M

Sources: NITI Aayog, McKinsey, MeitY

DESCRIPTIVE STATISTICS

		INVESTMENT	INCOME
N	Valid	54	54

Missing	0	0
Mean	376.48	725.56
Std. Deviation	371.174	583.680
Variance	137770.405	340681.761

Interpretation: Based on a dataset containing 54 valid observations, the table summarises the important descriptive statistics for the total investments (approx.) in AI technology and the expected return from the investments. The average income is much higher than the average investment, suggesting a potentially favorable return on investments; the mean and median differ significantly, suggesting the presence of outliers or a skewed distribution in both variables. Both investments and income exhibit significant variability, with income displaying greater dispersion.

Hypothesis Testing

Section 1: Test of Normality

Tests of Normality

	SECTORS	Kolmogorov-Smirnov			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
INVESTMENT	IT SOFTWARE	.178	9	.200*	.890	9	.199
	HEALTH	.122	9	.200*	.982	9	.974
	MANUFACTURING	.173	9	.200*	.902	9	.265
	AGRICULTURE	.180	9	.200*	.911	9	.320
	LOGISTICS	.179	9	.200*	.882	9	.163
	FINANCE	.201	9	.200*	.926	9	.443
INCOME	IT SOFTWARE	.185	9	.200*	.888	9	.190
	HEALTH	.203	9	.200*	.914	9	.346
	MANUFACTURING	.150	9	.200*	.911	9	.326
	AGRICULTURE	.145	9	.200*	.916	9	.362
	LOGISTICS	.182	9	.200*	.895	9	.223
	FINANCE	.185	9	.200*	.911	9	.321

** This is a lower bound of the true significance.*

a Lilliefors Significance Correction

Interpretation: In light of the findings, Income and Investment seem to be distributed normally throughout all industries. Both the Shapiro-Wilk and Kolmogorov-Smirnov tests of normality support this conclusion because their p-values are greater than 0.05 in every instance.

Section 2: Correlation Test

Hypothesis 1: There is a positive correlation between investment in AI technology in various sectors in India and the income generated from those sectors regarding global trade.

The findings of a parametric correlation study between the variables expected income and estimated investment using Pearson Correlation are displayed in this table.

		INVESTMENT	INCOME
INVESTMENT	Pearson Correlation	1	.869**
	Sig. (1-tailed)		.000
	N	54	54
INCOME	Pearson Correlation	.869**	1
	Sig. (1-tailed)	.000	
	N	54	54

*** Correlation is significant at the 0.01 level (1-tailed).*

Interpretations: There is a positive correlation between investment in AI in various sectors in India and the income generated from those sectors regarding global trade. The correlation between Investment and Income is 0.869, which is a strong positive correlation. The p-value (Sig. 1-tailed) is 0.000, which is less than 0.01. At the 1% level, this suggests that the link is statistically significant.

Difficulties and Disruptions

India has faced both possibilities and problems as a result of AI's growing integration into international trade. Although artificial intelligence (AI) has the potential to increase economic development, productivity, and creativity, it also comes with some challenges and disruptions, especially when it comes to international trade. Among these difficulties are:

1. **India's Job Displacement and Skill Gaps**

- Automation of jobs in industries including manufacturing, shipping, and customer service as a result of AI-driven technology.
- A lack of skills in data science, AI, and machine learning limits the workforce's capacity to do high-value international trade jobs.
- Possible effects of job automation on export potential.

2. **Effects on International Supply Chains**

- Disruption of Traditional Industries: AI has changed US and Chinese supply networks, impacting international trade.
- Complexity in Trade Logistics: Global supply chains are changed by AI-enhanced inventory management and logistics systems.
- India has difficulties keeping up with economies that have advanced AI in terms of infrastructure, regulations, and logistics systems.

3. **Legislative and Ethical Challenges in AI**

- Data Privacy and Protection: India faces difficulties developing sufficient legislative frameworks for AI, which impedes its ability to participate in the global digital economy.
- Global AI Standards: India's competitiveness in AI services, data analytics, and automation solutions may be impacted by challenges in conforming to international standards.

4. **India's Digital Divide**

- Significant digital divide: Rural and impoverished areas have limited access to cutting-edge AI technologies; disparity limits AI's potential in industries including manufacturing, healthcare, and agriculture.
- Infrastructure limitations: Global trade inequities may result from existing infrastructure's inability to support the widespread use of AI, particularly in rural areas.

5. **The Effect of AI on India's Trade and Economy**

- **Increasing rivalry from AI-advanced Countries:** As advanced economies adopt AI to lower production costs and boost efficiency, India may see growing competition in important areas.
- **Market Access Issues:** It may be challenging for India to export AI-driven goods and services due to trade partners' imposition of restrictions on AI standards, laws, and compliance.
- **Modifying Global Trade Dynamics:** Unless India advances its AI skills, AI may upend international trade agreements and marginalize it.
- **Geopolitical Tensions:** Businesses that depend on AI for trade may be disadvantaged if advanced AI
- Increasing rivalry from AI-advanced Countries: As advanced economies adopt AI to lower production costs and boost efficiency, India may see growing competition in important areas.
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- Modifying Global Trade Dynamics: Unless India advances its AI skills, AI may upend international trade agreements and marginalize it.
- Geopolitical Tensions: Businesses that depend on AI for trade may be disadvantaged if advanced AI technologies are controlled by a few dominant countries.

6. AI and Intellectual Property Issues in India

- The intellectual property (IP) of Indian firms is at risk from AI-powered counterfeit items.
- Trade relations may be impacted if India's industries are unable to achieve the strict quality control standards set by technologically sophisticated economies.

7. International Trade Agreements and Partnerships

- India's ability to negotiate AI-based international trade deals may be hampered by concerns about technological sovereignty.
- India's share of international trade in high-tech sectors may be impacted by its inability to build globally competitive AI-driven solutions due to a lack of cooperation on AI research.

Findings of the Study

- This study reveals several significant insights regarding the role of AI in international trade operations of Indian market.
- Role of AI in trade operations: AI is increasingly integrated into various aspects of international trade in India especially in marketing, custom clearance, documentation and other relevant areas of international trade.
- Correlation test conducted indicates a strong positive association between total investments in AI and the revenues earned from the investments.
- Despite the promising outcomes, the study highlights several challenges associated with AI integration in trade operations. The key issues include high implementation cost, shortage of AI professionals, data privacy, regulatory concerns etc.

Conclusion

There are two sides to the story of AI integration in international trade: innovation and disruption. AI-powered solutions can completely transform international trade operations by increasing productivity, cutting down expenditures, and opening up new opportunities. But these developments also provide serious drawbacks such as the loss of jobs, moral dilemmas, and complicated regulations, especially in developing nations (Jayashitha, 2022). Adoption of AI is crucial for maintaining competitiveness, but its deployment necessitates strategic planning to successfully handle disruptions. According to a balanced viewpoint, analysis, businesses and governments may use AI to promote resilience and sustainable growth in the changing global trade.

Suggestions

- Before implementing AI technologies on a large scale, deliberately adopt them through trial projects.
- Give priority to sustainable AI solutions that meet societal and environmental objectives.
- Make investments in workforce reskilling initiatives to reduce job displacement.

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