Chapter VI
CONCLUSION AND SUGGESTIONS
The study has revealed some significant findings relating to India’s trade relationship with China after globalization. Based on these findings some useful conclusions have been derived. A summary of these findings and conclusions have been presented in this chapter. A few useful suggestions for improvements in the trade relationship between India and China have been offered.

After independence and in the pre-reforms period India’s economic and trade policies were based on import substitution, industrialization, state intervention in labour and financial market, a large public sector, business regulation and central planning. Prior to the process of economic reforms in 1991, Government attempted to close the Indian economy to the outside world. The Indian currency was inconvertible and high tariffs and import licensing prevented foreign goods reaching the market.

The post reforms era has opened up the economy to globalised competitive environment. India’s relationship with China has been on a high path. India and China have emerged as the two most powerful and influential Asian nations in terms of economic capabilities as well as geographical standing. They are among the fastest growing market in the world, and have successfully globalised becoming important ‘locomotives’ for other countries. India is a big emerging economic power, but still lags behind China. The two economies have followed different paths of growth as a consequence of their varying degrees of openness and the differing
roles of their manufacturing and service sectors. The sustained growth of both countries was set in motion by economic reforms, first in China in the late 1970s, and then in India in the early 1990s. In 1979, when China’s economic reforms began, China and India were at a similar stage of development. Given its head-start and subsequent sustained growth, the Chinese economy has raced ahead of the Indian economy since the early 1990s. India and China share some common features - both adopted pro-trade policies and took advantage of the globalization process, which has enlarged their access to new technologies, capital and markets. As a result, both economies have achieved impressive growth rates in the past decade. Nevertheless, India and China exhibit many differences, as a consequence of adopting different paths of specialization, policies and industrialization strategies.

**Major findings of the study**:

The following major findings have revealed by the study.

1. India’s foreign trade was changed due to globalization.
2. The composition and direction of India’s foreign trade indicated that the Indian economy is being diversified. Traditional as well as non-traditional commodities exports are also of growing nature during research period 1991 to 2010.
3. During the five year planning era, India’s registered export trade has increased by 97.5% and imports by 170% in 1950-60. The increase in export was six times and imports by five times in 1999-2000.
4. During the 2001 to 2010, the size of India’s foreign trade has increased. It is a huge change.
5. During the globalization period (1991 to 2010) India’s growth rate of exports is constantly increasing every year. But at the same time,
growth rate of imports is also increasing faster than the exports of India. So that the balance of trade always founds negative which create huge foreign trade deficit.

6. The largest trading partner was 9.8 percent share of USA. But second was 8.3 percent share of China. China was 9.50 percent share of India’s largest major trading partner in 2010-11 and second was 7.3 percent share of USA. China were make India’s largest trading partner from some years.

7. India’s export trade with China, is indicates both in terms of the share of UAEs in India’s total exports.

8. India’s imports from China (in total imports) rose from 40.4 percent in 1991-92, 87 percent in 2006-07 and 28.6 percent in 2011-12. Growth of China’s share in India’s imports has fluctuated from -32.5 percent in 1991-92 to 104.4 percent in 2006-07 and decline to -4.1 percent in 2009-10 and in 2011-12 this growth rose 32.8 percent.

9. China was not an important source of imports for India till 2000-01. However China becomes 5th important source of India’s imports in 2001-02. Further it was relegated to 2nd position in 2003-04 and 2004-05. China has become the first largest source of imports for India since 2005-06.

10. The commodity composition of India to China indicates a mixture of traditional and non-traditional goods. This reflects the trend of product diversification of India’s trade with China. Such diversified trade ensures stability of trade earnings and a sustained trade relationship.

11. The India-China bilateral trade relationship took an impressive turn during the last decade as China gradually ascended to become the largest trading partner of India since 2008. Bilateral two-way trade jumped by nearly twelve and a half times during the period 2000-
2010. Total trade is expected to reach the level of nearly US $ 75700.8 million by the end of 2012.

12. India-China bilateral trade relations have improved after globalization. China’s share in India’s overall imports and exports have been rising rapidly over the past six years.

13. During 2009-10 trade deficit declined marginally as there was a mild recovery in exports and a marginal decline in imports. The trade deficit in 2009-10 was US $ 19251.3 million which was lower than the US $ 22816.4 million during 2008-09.

14. The observation is that India-China export-import growth rates fluctuated during globalization period.

15. Major commodities of exports from India to China include cotton, ores, slag and ash, copper and articles thereof, organic chemicals, plastics and articles thereof, salt sulphur, earth, stone, plaster, lime and cement, machinery nuclear reactors, boilers, etc., animal, vegetable facts and oil, cleavage products, etc., iron and steel, Lac, gums, resings, vegetable saps and extoacts nes, and electrical, electronic equipment.

16. Commodity composition of India’s imports from China comprises of electrical, electronic equipment, machinery, nuclear reactors, boilers, etc., organic chemicals, commodities not elsewhere specified, fertilizers, Iron and steel, articles of iron steel, plastics and articles thereof and pearls precious stones metals, coins, etc.

17. India’s import from China of electrical electronic and equipment was US $ 211.727 million in 2001 and export to china was US $ 8.912 million in 2001. India’s balance of trade negative US $ - 202.815 million and trade between was US $ 220.639 in 2001. During the last six year from 2007 to 2012 compared to the earlier year India-China bilateral trade this commodity was increased this
period as well as same period increased of India’s balance of trade. These trend indicates the increasing trade relations between India-China.

18. India-China total bilateral trade of machinery, nuclear reactors, boilers etc was US $ 224.632 million in 2001 and this trade year by year increased to US $ 10636.910 million in the year 2012 but India’s deficit increased US $ 9831.92 million in the year 2012. There is a trend of fluctuation in the value of exports-imports from year to year.

19. The value of import of organic chemicals from China varied from a minimum of US $ 292.553 million in 2001 to a maximum of US $ 4622.128 million in 2012. India-China total bilateral trade was US $ 392.536 million in 2001 and this trade year by year increased to US $ 5645.062 million in the year 2012. But India’s trade deficit increased US $ 3599.194 in the year 2012.

20. India’s imports of Iron and steel from China have high maximum level US $ 2142.633 million in 2010 and India exports decreased years by year and India-China total of Iron and steel increased of US $ 2882.424 million in 2010 but India’s balance of trade deficit of US $ 1402.842 million in 2010. These indicates that the growth of trade between India-China has been during the globalization period.


22. India-China bilateral trade between of miscellaneous chemical products in 2001 the exports were US $ 15.100 million and imports were US $ 13.677 million and India’s balance of trade favorable was
US $ 1.423 million. India-China bilateral total trade also increased US $ 718.239 million in 2012 but balance of trade unfavorable for India. These details had shown India-China trade relations grownup.

23. India-China bilateral trade of pearls, precious stones, metals, vehicles other than railway, tramway and mineral fuels, oils, distillation products etc. increased. After globalization India’s balance of trade are negative in this commodity.

24. Rising bilateral trade imbalance may be attributed to the changing composition of India’s imports from China during the last decade. India’s bilateral imports are mostly concentrated in the manufacturing sector, comprising three dominant sub-sectors including chemicals, machinery and mechanical appliances and base metals, contributing around 76.5 percent of bilateral imports in 2011.

25. India’s foreign trade is in tough times, it indicates the economic survey that has cited the global slowdown in 2008 as a crucial hindrance for exports and imports in the coming months.

26. Despite the challenges posed by India and China to each other, we find moderate complementarily in their exports–imports structure. This indicates a potential for further trade expansion between the two countries.

27. The provision of the EXIM policy enables the entrepreneur to plan for the establishment of export business. There are many provisions made in the EXIM policy to promote India’s foreign trade by offering various incentives to the exporters.

28. The EXIM policy of government of India is a very important document for providing guidelines to the exporters and importers.

29. The foreign trade policy 1991 aimed to cut sown administrative controls and barriers which acted as obstacles to the free flow of exports and imports. The basic instrument development by the trade
policy was the EXIM scrip in place of rep licenses. The purpose of this instrument was to permit imports to the extent of 30% on 100 percent realization of export proceeds.

30. The EXIM policy, 1992-97 was further liberalized by the government of March 31, 1993. Substantial concessions were announced to boost agricultural exports. The government also announces a centrally sponsored scheme to set up industrial parks in different states.

31. The government provides various facilities for imports of capital goods to facilities for import of capital goods to facilitate production for exports. These facilities enable the exporters to reduce their cost of production and become cost comparative in the global market place. The use of imported capital goods also facilitates manufacture of better quality products for exports. The impact of these facilities is reflected finally in the promotion of exports which is the main thrust of the EXIM policy 1997-2002.

32. The modified EXIM policy 1998, 340 more items were shifted from the restricted list to open general license. Thus, out of the total number of 10,202 items covered under the export import policy.

33. The new EXIM policy 1999-2000 free import of 894 items of consumer goods, agricultural products and textiles from licensing requirements. A number of consumer items could now be imported license free subject only to the payment of import duty.

34. The EXIM policy (2001-2002) completed the process of removal of QRs on BOP grounds by dismantling restrictions on the remaining 715 items. Out of these 715 items, 342 were textile products, 147 were agriculture products including alcoholic beverages and 226 were other manufactured product including automobiles. This EXIM policy to monitor import of 30 separate items on a regular basis.
35. The EXIM policy (2000-2001) announced the relating up of two SEZs at positrons. In Gujarat and Nangunery in Tamil Nadu. It was further announced that 100% foreign direct investment (FDI) would be allowed in all products in SEZs. This policy announced sector specific packages for sever core areas to exports.

36. The 2000-2001 export-import policy announced financial incentives to states based on their export performance. An incentive scheme with an initial outlay of 250 crore to secure states involvement in the national export drive was unveiled.

37. The EXIM policy 2002-2007 contain a bouquet of concessions for exports, focusing sharply on special economic zones (SEZs), industrial boosters, agri-exports, infrastructural developments and reduction in transaction costs.

38. The EXIM policy (2003-04) provided a massive thrust to export of services by introducing duty free import facility for the service sector units having a minimum foreign exchange earning of Rs 10 lakh. Extension of duty free replenishment certificate (DFRC) scheme to deemed exports and reduction in its value addition norms from 33 percent to 25 percent.

39. The MINI EXIM POLICY (2004), free import of gold and silver for export purposes permitted. Duty free import facility available to star hotels extended heritage, one and two star hotels and stand alone restaurants. Restrictions on import of electrical energy lifted.

40. It is found the under foreign trade policy (FTP) 2004-2009, “vishsh krishi upaj yojana (special agricultural produce scheme)” introduced to boost exports of vegetables, fruits, flowers, minor forest produce and their value added products. As well as a new scheme to accelerate growth of exports called ‘target plus’ introduced under which rewards are granted based on a tiered approach.
41. The foreign trade policy 2004-09 also provided emerging markets of Africa, Latin America, Oceania CIS countries and Asian under the agreement which are in line with India’s “look east policy”

42. It can be concluded that under foreign trade policy (2004-09), special focus initiative have been identified for various sectors, like, agriculture, handlooms, handicrafts, gems and jewellery, leather and marine sector etc. also new sectorial initiative would be announced from time to time under foreign trade policy (2004-2009).

43. The new foreign trade policy (2009-2014) the incentive available under Focus Market Scheme (FMS) has been raised from 2.5% to 3%. The incentive available under Focus Market Scheme (FPS) has been raised from 1.5% to 2%.

44. This policy to aid technological up gradation of our export sector, EPCG scheme at zero duty has been introduced. Under EPCU scheme at zero duty has been reduced to 50% of the normal specific export obligation.

45. Trade policy measures taken by the government and the RBI in 2009-10 and 2010-11 focused on reviving exports and imports and export related employment. Import duties reduced to zero for rice, wheat, pulses, edible oils (crude) butter and ghee and to 7.5 percent for refined and hydrogenated oils and vegetable oils.

46. China’s trade policy establishment of special economic zones (SEZs) and export processing two ones (EPZs) and export processing zones (SEZs) in three waves in 1980. In the SEZs, imports are completely duty free. Moreover foreign investment within the zones can enjoy additional advantages such as lower income taxes.

47. Reform of China’s trade regime had their main dimensions (a) increasing the number and type of enterprises eligible to trade in particular commodities (b) developing the indirect trade policy
instruments that were absent under the planning system and (c) reducing and ultimately removing the exchange rate distortions.

48. India-China, joint economic group on economic relation and trade, science and technology (JEG) is a ministerial level dialogue mechanism, Established. And these two countries between 58 agreement/mou/protocol during the 1954 to 2011.

49. India and China are two largest and faste growing economies in Asia. FTA between India and China certainly goes in favor of China and it is disadvantages to India at least in the short run, this is because of high tariff regime in India and 1000 tariff regime in China.

50. India has gone a long way in reducing its tariffs on non agricultural products as well as certain non-tariff barriers.

51. This discussion has revealed importing, which be helpful in making strategies with respect to trade policy in India. The cost competitiveness of China appears to help its exports in negotiating large distances. India needs to learn from China.

52. During the past two decades, India and China, notwithstanding their different economic size, different levels of per capita income and contrasting international specializations have been successfully integrated into the world economy, changing the composition of their imports of primary products, manufactured goods and services.

53. The global competitiveness index (GCI) shows that ranking of India was 60th while that of China was much better. It was at 29th rank out of 148 countries in 2013-14 report.

54. India 6 antidumping measures used in 1995 but China was not used antidumping measures of world trade. India used of antidumping more than China after 2000. India was used highest of antidumping measures, (81 antidumping measures) in 2002. China used of antidumping measures highest 20 in 2002. Then after some year
improvement India-China used of antidumping measures of world trade.
55. China is the one of the largest trading partner of India. India highest imports from China. So the trade between them let to mutual cooperation and helps each other to develop.
56. India-China is amongst the biggest and fastest growing emerging markets. Some people suppose that this alliance is a future threat for USA.

**Result of the Hypothesis:-**

An in-depth analysis of the dimensions of India’s trade relations without the united Emirates has revealed the following results of the Hypothesis.

The first hypothesis states that trade relations are growing after globalization between India and China.

The results of the research study have vindicated the Hypothesis. The data obtained through the relevant sources reveal that there has been growing India’s trade relations with China during post globalization in general and during the last decade in the new millennium.

The second hypothesis states that in the globalization era India’s imports rapidly grown than the exports from China.

A continuously uptrend in India’s export – imports to china is observed after globalization period. In 1990-91 ‘India’s import to China was US $18.2 million, which grew to US $ 18067.7million in 2011-12 registering an exponential rise in times in 1.48 per annum. The trend of India’s imports from China has shown a similar trend. India’s import from
China was US $ 31.0 million in 1990-91, increased to US $ 57633.1 million in 2011-12, showing an annual rise in times of 1.71. Even India’s imports rapidly grown than the exports from China.

The third hypothesis states that India and China have made reforms in their foreign trade policies.

The results of the research study have vindicated the hypothesis. After globalisation India made of twelve foreign trade policies. India improved some measures of trade and investment policy. Reform of China’s trade regime had three main dimensions: (a) increasing the number and type of enter- prises eligible to trade in particular commodities; (b) developing the indirect trade policy instruments that were absent under the planning system; and (c) reducing and ultimately removing the exchange rate distortions.

**Recommendations:-**

1. India and china reinforce bilateral relations between them by exploring opportunities in aviation, investment and growth industries. But improving the communication between the business communities of both the countries can strengthen the trade relationship between the two countries.

2. Trade investment between china and India will get a boost upon signing of the new investment protection. Double taxes a boost upon signing of the new investment protection.

3. The future expansion of trade and economic relations between India and china should take into consideration the mutual complimentarily and comparative advantages. In this context tourism sector in India is one of the areas that have good potentials for future growth.
4. The cotton, ores, slag and ash, lac, sulphur, earth stone, plaster, lime and cement for India are the opportunities for both sides, which can be leveraged, to mutual advantage.

5. India’s foreign trade has undergone the rapid change in the context of the compositions and the direction of trade.

6. In case of EXIM policy it is needed to give impetus to agricultural production marketing efforts and organization reforms in this field are urgently needed.

7. The government should to potential exporters in the urban as well as rural areas in India. It should conduct export awareness programme to encourage both areas exporters. It should provide information about export business. It should also conduct seminars and exhibitions to provide information about commodities and other foreign trade related information.

8. India’s trade between the china is expected to grow in the coming years with enforcement of the GCC Customs union and wider implementation of the free trade zone.

9. India and china can boost economic and trade ties by harnessing each other potentials in new economic sectors.

10. Government of India should establish more export oriented units, like (EOUs), export processing zones (EPZs), special economic zones (SEZs) and software technology parks (STPs) to promote Indian manufacturers to export their product on large scale.

11. It is recommend that India should prepare and operate export promotion programmes’ and training programmes for exporters importers.

12. A free trade agreement (FTA) with china will boost the economic ties between the two countries. FTA could help to boost the bilateral
investment that will unlock greater growth opportunities for both the countries.

13. India must restrict the relatively higher increasing trade in imports. If the goal is to reduce trade deficit with higher exports.

14. Indian government should play active role in promoting exports to China.

15. Export duty and other levees should be reduced to encourage potential exports in India.

16. Indian Government adopted should be more favorable policy to get comparative advantage more than china.

17. Despite the challenges posed by China and India to each other, we find moderate complementarily in their export-import structure. In this situation trade expansion between the two countries.

18. India-China is boost of foreign trade in Asia. If they improve trade relations between India and China.

19. It needs to reduce tariffs in bilateral trade between India-China.

20. India-China economically emerging countries can better work together in the future. If they reduce tariffs in bilateral trade between India and China.

21. India must increase use of anti-dumping of bilateral trade of china.

22. India needs of special programme export promotion and import substitution policy of bilateral trade of china.

23. Indian government must increase expenditure on research and development.

24. India needs improvement in unfavorable balance of trade and balance of payments.

25. In our India-China’s trade transactions we should use local currency.
26. The estimated trade intensity indices show that India and China are not still trading at as high a level as could be expected. There is therefore scope for growth in bilateral trade.

27. There is also scope for increased intra-industry trade in some areas where the two countries compete with each other.

28. India must expand its manufacturing sector and improve the sector’s competitiveness. As regards manufacturing development, China could offer model for India to follow. China can learn how to develop a strong service sector from India.

29. India can increase its exports of software to China, while China can expand its exports of hardware to India.

30. India is also emerging as an important source of specialized talent of finance, accounting and global marketing for many Chinese companies.