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The present study was based on analyzing overall nature and pattern of India’s intra-industry trade and to find out its potential in different sectors. The study also tries to explore the effectiveness of trade policy for some selected sectors so that suitable trade policies can be framed which can harp India’s potential and improve its trade performance. The study reveals that intra-industry trade is becoming an integral part of India’s international trade and its contribution cannot be overlooked. Major findings of the study have been discussed below:

- The study shows that intra-industry trade has become an integral part of India’s international trade and the degree of intra-industry trade has increased significantly with the passage of time. Although the increasing trend is not very smooth, because of varying economic conditions of both India and World, but overall it has increased. The phrase “passage of time” has been used here to represent the overall growth in the economy, here it has been assumed that in general the economy grows with the passage of time. Interestingly, Indian economy has been growing continuously with the passage of time, so this assumption holds valid for the study.

- The study reveals that the effect of aggregation level on the degree of intra-industry trade is same as expected, that means, the degree of intra-industry decreases with the decrease in aggregation level. Interestingly, in this case the decrease in the degree of intra-industry trade is not very steep which reflects that, for India, intra-industry trade is a real phenomenon and not mere the case of categorical aggregation.
• The study shows that not only the degree but also the contribution of intra-industry trade in India’s total trade has increased significantly over the years. This again reinstates the fact that intra-industry trade has become an integral part of India’s international trade.

• The study shows that India’s intra-industry trade is import-dominating that means the contribution of import in intra-industry trade is more than that of export. This trend specifically has become visible since 2001. This finding goes in parallel with the trend and pattern of export/import in international trade. India’s international trade is also dominated by import.

• The study reveals that India’s intra-industry trade is vertically dominated. This result was expected because India is a developing country and its majority of the trade is with dissimilar economies. But interestingly, it has been observed that over the years the contribution of HIIT has increased, this trend also supports the fact that the economy is growing with the passage of time. Apart from this, the study also shows that the contribution of high-quality VIIT has increased with the passage of time which shows that Indian economy is gradually moving towards high-end job from lower to lower-middle end job.

• The study shows that the liberalization process, since 1991, has promoted the degree of intra-industry trade. The liberalization process leads to decrease in tariff rate which ultimately promoted the degree of intra-industry trade.

• As far as the nature of intra-industry trade with different product groups are concerned, the study shows that it is maximum with that category of product where product differentiation is maximum and this result is matched with the expectation. But interestingly, in most of the cases it has been observed that intra-industry trade is not minimum with that category of the product where product differentiation was least. This finding, although unexpected, but may indicate that
India is having potential for intra-industry trade with this category of the product which may be tapped to increase its trade in the sector.

- The study shows a very interesting result that although India’s trade is maximum with dissimilar economies, but specially in recent years, its intra-industry trade is found to be maximum with similar economies. The next rank comes to the High-Income Countries with which intra-industry trade is maximum.

- As far as the level of HIIT and VIIT with different country groups are concerned, the study shows that it is matched with the expectations that HIIT is found to be maximum with similar economies while VIIT is maximum with dissimilar economies. Apart from this the study also shows that low-quality VIIT dominates over high-quality VIIT.

- The study reveals that differences in capital-labor ratio is a better proxy of factor endowment for determining the determinants of India’s intra-industry trade, than that of differences in per-capita GDP and trade share. Then after, trade share acted as second best determinants for measuring intra-industry trade. These factors act as an important determinants of measuring intra-industry trade of India with low income countries, lower-middle income countries, high-income countries and high-income OECD countries, but not reliable for upper-middle income countries.

- The findings of the study reflect the changes in economic conditions of India that Indian economy is growing very fast and due to increase in disposable income, the demand of varieties of a product increase which ultimately leads to increase in the degree and contribution of intra-industry trade. This trend is visible since the beginning of liberalization process but specially after the year 2000.

- The findings of the study clearly reflect that if India align its trade policy which suits to its potential of intra-industry trade then the contribution and degree of HIIT will certainly increase. Since the adjustment costs of intra-industry trade is lesser
than that of inter-industry specialization thus it would be beneficial for India that without doing major changes in the industrial structure of the country, foreign trade can be increased.

Therefore the present study discusses different dimensions of India’s intra-industry trade and its benefits to India.