



**CHAPTER – VIII**

*Summary, Conclusion*

*and*

*Suggestions*

International Trade Relations examines the political, legal and institutional aspects of today's global trading system. It focuses on the role of various national and international agencies. Mutually agreed-on rules between independent rulers, states, and societies were then from the very outset the stuff of diplomacy. Various theories developed by different economists provide very valuable insights for understanding the contemporary reality. Both India and China have emerged as the major contenders of the global economy and hence attracted a worldwide attention. The various studies conducted by the different scholars on this subject provide very valuable material for formulating the present problem. Since there are huge gaps in the prevailing literature and hence the present study is fully justified. Therefore in the present study, an attempt has been made to study the changing dimensions of Sino-Indian Trade Relations. One of the reasons that the possibility of Sino-Indian economic relationship is discounted by several experts is because of their belief in the proposition that the expansion of China's external trade conflicts with the trading pattern of other third world countries and is taking place at its cost.

The current euphoria over the expanding Sino-Indian economic relations, the galloping bilateral trade and the mushrooming analytical studies triggered off by inadequate focus on certain emerging characteristics of these relations, which have already started giving more to the benefit of China than of India. These characteristics could have positive as well as negative impact on the over-all Sino-Indian relations. The emerging characteristic is that China is increasingly the beneficiary of the expanding Sino-Indian trade relations during the last five years.

Initially, as India and China embarked on their policy of expanding bilateral trade, India benefited more than China in initial stages because of growing Chinese demand for iron ore for its steel

industry but this benefit was short lived. Consequently, in the next four or five years after this expansion, the balance of trade tilted in favour of China. Now, there is a greater flow of goods and services from China to India, than the other way round. The result is that the balance of trade is again increasingly tilting towards China. To analyse such a scenario the trade policies of both the countries have been analysed and a need is felt that these foreign trade policies should augment the steps for reducing the unfavourable balance of trade in India. The large manufacturing base in China enables it to offer a large basket of manufactured goods to the Indian market. The inadequate development of the Indian manufacturing sector is coming in the way of expanding the basket of Indian exports to China, which continue to depend on raw materials with iron ore constituting nearly 60 per cent of India's exports. Since 1990's onwards, India and China have also started to trade through their land routes but the total volume of trade through these routes is very negligible.

The galloping bilateral trade already crossing the set target of US \$60 billion has already made China the second largest trading partner of India after the US. The continued prosperity of the Chinese manufacturing industries would depend on the continued availability of this market. This would have a positive as well as a negative impact. The growing dependence of Chinese manufacturing industries on the Indian market could moderate Chinese policy-making towards India in non-economic fields. Unnecessary political tensions in Sino-Indian relations could affect the growing economic benefit to China arising from the vast Indian market. As against this, a likely negative impact is that the dependence of the Indian market on Chinese manufactured goods and the fascination of the Indian consumers for Chinese goods could come in the way of our being able to develop India's own manufacturing industries.

On the Indian side, there is a widening trade deficit, worry over the composition of exports and concern at the inability of Indian

companies with Chinese operations to break into the domestic Chinese market.

The Chinese complain that India is holding back on a proposed regional trade agreement. Indian exports to China continue to be overwhelmingly dominated by primary products with little value added. In the first 11 months of last year, 71% of Indian exports to China comprised iron ore, up from 59% in 2007. The Chinese conversely export to India mainly high-value finished products such as electrical machinery, a situation that has remained unchanged which resulted in making terms of trade more favourable towards China.

Both sides also complain of insufficient knowledge of the business practices and the regulatory framework of the other country. Cultural discomfort involving language and food habits form an additional barrier - despite being neighbours, the two countries appear culturally more comfortable doing business with the West than with each other.

The two countries have a ministerial-level joint economic group that is supposed to meet every two years to discuss bilateral issues of an economic nature. It last met in 2006 after a gap of six years, failing to meet again in 2008. When Prime Minister Manmohan Singh visited Beijing in January last year, Indian industry leaders brought up its concerns during a business summit that was held at the same time. The Chinese side promised to give the matter serious attention and alluded to the possibility of sending large-scale buying missions, a strategy it has deployed with the US and European Union. The Chinese vice minister of trade did subsequently undertake a trip to India, but the deals that were signed at the time were worth less than \$100 million in value, far from being adequate to redress the deficit in any serious manner. Nor has there been significant movement towards removing non-tariff barriers erected against Indian products.

For example, the Indians believe there is great potential for their agricultural products. Yet eight years after a bilateral agreement was signed on China's accession to the World Trade Organization under which Beijing agreed to the import of 17 types of Indian fruits and vegetables, only three items - mangoes, grapes and bitter gourd have been approved for import from India. Even there, India businesses appear to lack aggression in making the most of what is available to them. Given problems with cold storage facilities, logistics and poor infrastructure at the Indian end, exports of the fruit to China remain problematic. Those producers who are able to overcome these lacunae choose to focus on Western markets with which they are already familiar. Border problem and Tibet factor are hurdles in the way of India-China smooth relations. These problems require solution on lasting basis if bilateral economic cooperation between the two countries is to be promoted.

## **GENERAL FINDINGS**

The major findings of the present study may be presented as under:

- China has significant share in India's Trade, whereas India has relatively lesser share in china's market. Therefore there is an asymmetrical trade relation.
- Bilateral business relations have increased manifold since the opening up of the economies and liberalization. Exports to the china are mainly of the items iron ore, processed minerals, drug, pharma and chemicals, cotton and raw material.
- Imports from china includes majorly of electronic goods, organic chemicals and electronic machinery.
- India and China are the emerging superpowers of the world and together they can make 21st century an Asian Century. Immense scope lies for both India and China for constructive and cooperative partnership in various fields.

- The trade between the two countries has almost tripled since 2005 and today stands more than \$60 billion. But India's trade deficit with China is about \$19 billion in 2010 alone. This is explained by the two fold increase in Indian exports to China between 2005 and 2010(\$11.6 billion) and three-fold increase in Chinese exports to India (\$30.8 billion).
- India has been largely exporting raw materials to China, and importing finished goods made mostly from the same raw materials. This pattern of trade, even if it results in large number for cumulative trade, is not good for Indian trade.
- China and India have set up a variety of dialogue channels, including the annual security dialogue, the bilateral strategic dialogue, the Sino-Indian defense and security consultation, the economic and trade dialogue, and the China-India special representatives level border negotiations. Such dialogues via these avenues have made the gratifying outcome, and particularly with the talks concerning the border issue and bilateral military ties.
- Sino-India bilateral relations have grown rapidly with an increasingly frequent exchange of high-level visits since the entry of the new century.
- India and China agreed to increase bilateral trade to \$100 billion by 2015 during the summit held on 15-17 December 2010 in Delhi. Both sides agreed to take measures to promote more Indian exports to China with a view to reducing India's trade deficit with China.
- Land trade between these two countries is almost negligible.
- Both the countries have enhanced their cooperation in number of areas; however, there are large numbers of conflicting areas where these countries have to resolve in order to boost trade relations further.

## **SUGGESTIONS**

On the basis of present study, the following suggestions can be given:

- The economies of China and India are mutually supplementary to a great extent. The two countries can take advantage of each other's technological strong points in IT, manufacturing, agriculture, infrastructure, energy saving and environment protection through more and more collaboration.
- It is suggested that the two countries provide favorable conditions to help increase exchanges among their enterprises, create equal and transparent investment environment, and facilitate trade and investment processes. This can be carried out though by strengthening coordination and increasing dialogue on the issues of international financial crisis, reform of global economic management structure, pushing forward WTO Doha Round talks, as well as coping with global warming.
- Although China is India's major trading partner, trade flows are heavily weighted in China's favor, with India unable to diversify its basket of exports to China. Therefore it is suggested that the basket of goods should be increased from India to china.
- The principle items that India exports to China are raw materials and other low-end commodities such as ores, slag and ash, iron and steel, plastic, organic chemicals, and cotton which made up about 70% of India's exports. The main items that India imports from China are electrical machinery and equipment, organic chemicals, boilers, machinery, silk, etc. Therefore efforts should be made from both sides to further widen the list of import and export commodities.
- India trade deficit with China has been widening throughout. This needs serious efforts particularly through the diversification of export basket.
- The commodity composition of trade results into un-favourable terms of trade for India. Therefore, there is an urgent need that

India should explore Chinese market for more manufactured and high-tech goods.

- Some areas near the trade routes opened by India should be declared as SEZ's for giving opportunities to the traders which can help in increasing bilateral trade.
- Both the countries should explore the possibility of signing free trade agreement in a time bound manner.
- Efforts should be made to sort out Political and other hurdles so that new direction can be given to the trade relations of these two countries.
- Infra structure at the land routes should be further strengthen and possibility should be explored to introduce direct rail and bus services between these two countries so that 21<sup>st</sup> century can be really be made as a century of Asia.

#### **SUGGESTED AREAS FOR FURTHER RESEARCH**

1. Issues in Sino-Indian Strategic Partnership.
2. Specific Sector-Wise Potential of Chinese Investment in India.
3. A Primary study of Land Trade between India and China.
4. Terms of Trade between India and China.