Chapter - 5
Findings and Suggestions

This chapter is primarily designed to summarize the major findings emanating from this research work. It also includes the major finding, suggestions and conclusion enumerated from the study, limitations and future area of research. Today Globalization and industrialization have made the whole World as one village. Economical friendships have taken over priority on Political relations. Presently Economic ties are one of the most important areas of the strategic and cooperative partnership between India and China. Both the Asian giants have grown in the post-reform years by growing their external economic linkages and Currently, India-China trade stands at more than seventy billion dollars. Both Countries can enhance the Trade in sectors such as construction and infrastructure, pharmaceuticals, agriculture and food processing, asset management, electronics and information technology, transport and logistics.

India has also emphasized opportunities in railways, smart cities, infrastructure and urban transport for further cooperation. For India, there is greater scope for technical and financial associations with China in specific “Make in India” sectors like thermal power, renewable energy, railways, construction and ports. China’s ‘rise’ has however been a mixed blessing for India. While there are serious concerns in some areas, there has been a welcome rise in a number of sectors, which see China’s growth as a beneficial opportunity.

5.1 MAJOR FINDINGS OF THE STUDY

(A) Understanding the Complex Political, Economic and Trade Relations

1. Majority of respondents (across various demographic categories) agree with the research statement that the assumption that only exports are desirable (and should be maximized) while imports are undesirable (and should be minimized) is fallacious on economic grounds. The people involved in international trade and economics understand that imports are as much desirable for the growth and progress of a country and welfare and happiness of its people as much as the exports are desirable as a means of earning precious foreign exchange, enhancing and utilizing the surplus the production capabilities of a nation. Thus a country cannot just hope to trade only one-sided (i.e. export) because other trading partners would expect
reciprocation.

2. Majority of respondents (across various demographic categories) agree with the research statement that the basis of international trade is a country exports what it has a surplus of and imports what is locally scarce (which by imperative of economy necessity becomes more valuable what is in abundance). Countries chiefly export those goods and services which the country has core competence in producing/manufacturing and which are found/produced in abundance (and with comparative cost-advantage) the surplus of which is gainfully traded for those goods and services which could not be produced economically locally and need to be outsourced from outside the country. By this definition, items of economic necessity are more valuable then what is in abundance and a country thus happily trades whatever is surplus for whatever is locally scarce. In earlier times, barter system was used for trade transactions but now internationally-accepted currencies (earned through export and aid) are used to pay for imports.

3. Majority of respondents (across various demographic categories) agree with the research statement that the main benefit of international trade is to end scarcities by importing what a country does not have and export are thus a secondary aim, required to pay for imports. One of the major reasons why a country is interested in international trade is to get items of economic necessity and essential services from other countries and paying the cost of acquisition and earn valuable foreign exchange through exports without which import could not be financed. Thus exports are just a means towards the end cause of facilitating imports.

4. Majority of respondents (across various demographic categories) agree with the research statement that running trade surplus with relatively non-competitive countries and a trade deficit with highly-competitive countries are normal in international trade. Since the core competence of different countries differ substantially, a country cannot hope to have perfect trade balance with all of its trading partners and thus with some countries it would run a healthy surplus and with some others a deficit. While trading with highly-competitive countries in certain products categories, the country is bound to import products (at substantial savings to local cost of production or those which could not be produced locally) and export those products which are most competitive in the international market. Thus with a country as competitive in manufacturing as China, India is bound to
incur a substantial trade deficit because India primarily exports mineral ores and other raw materials (with little or no value-addition) because Indian manufacturing industry is nowhere close to China in cost of production and efficiencies in scale which is one of the main reasons why India runs a huge trade deficit with China.

5. Majority of respondents (across various demographic categories) agree with the research statement that in international trade, the more competitive the trading partner the more a country like India would buy from it and the bigger would be the bilateral trade deficit. Since China is the de facto manufacturing hub of the world there are countless finished goods (be it heavy machinery or other consumer goods) which the Chinese produce at a fraction of the cost of what Indian manufactures could produce locally. The difference in cost of production is owing to higher productivity of factors of production (i.e. land, labor and capital) in China comparison to India.

6. Majority of respondents (across various demographic categories) agree with the research statement that India’s ever-rising and highly skewed trade imbalance with the China being economically unsustainable in the long run need to be addressed for the long-term health of the bilateral relationship. Since Indian exports to China is nowhere close to Indian imports from China, India is consistently incurring huge trade imbalance which is not sustainable for a long period, so unless China opens up new sectors for Indian exports (apart from import of bulk commodities and raw materials), this huge trade gap could not be balanced and while Indian consumers could be having a field day with cheap Chinese goods, Indian industry would continue to be hit hard because it is not as competitive and efficient as the famed Chinese manufacturing industry. So policy-makers must strive to balance the skewed trade (employing diplomatic pressure) so the Indian economy is not allowed to bleed continuously.

7. Majority of respondents (across various demographic categories) agree with the research statement that the widespread suspicion that the Chinese give huge export subsidies to its exporters is wrong because of its economic unviability in the long run. It is a common assumption in India that the Chinese manufacturing is so competitive and efficient because of huge export subsidies the Chinese Govt. provides to its exporters, but there are also other critical factors which have given the Chinese manufacturing its competitive edge. The Chinese do not let their
currency appreciate (through artificial manipulation) despite the U.S.’s (the largest trading partner of China) numerous complaints to WTO and its Bilateral trade talks with China regarding China’s artificial depreciation of its currency. The Chinese care two hoots about other countries’ concerns and that is what is giving the China producers a competitive edge in the global market. Besides, India’s infrastructure (a very important factor in itself) is nowhere close to China.

(B) Analyze the Reasons behind Skewed/Imbalanced Bilateral Patterns

8. Majority of respondents (across various demographic categories) agree with the research statement that one of the most important reasons why India is running its biggest trade deficit with China is it is the most competitive exporter among all countries. The main reason why India is running its biggest trade deficit with the China is unlike the EU, the U.S. and West Asian Arab countries (all of which import huge quantities of processed and semi processed goods and a select few services from India) China imports very less of these value-added products but exports the maximum number of value-added finished products (from the high-end to the low-end) and given the fetish of Indian consumers for low-cost products, China happens to trump all other countries (viz. the export- oriented economies of ASEAN) and thus emerges as the most competitive exporter of finished goods among all other countries.

9. Majority of respondents (across various demographic categories ) agree with the research statement that on the positive side, running a huge trade deficit with China is an indicator that India is sensible in getting its imports needs met from one of the cheapest sources of goods. The fact that India is running a huge trade deficit with China is a pointer towards the fact that the Chinese manufacturing establishment is efficiently fulfilling the needs and requirements of hundreds of millions of Indian consumers, traders and businessmen by providing finished goods at a fraction of the cost of what Indian producers could manage to produce or could outsource from other countries, thus it is the never-ending demand (rather the greed) of burgeoning Indian middle class which is responsible for the huge trade deficit India runs with China.

10. Majority of respondents (across various demographic categories) agree with the research statement that trade deficit is not just beneficial to the Chinese
exporters of goods but also Indian consumers who get it cheap compared to other exporting nations, making it a win-win situation for both China and India. The fact that the Chinese goods are substantially cheaper than locally produced goods is one of the major reasons why the trade gap with China is increasing at an alarming pace and there is no sign that it would be arrested very soon. Since Indian consumers (from the upper to the lower middle class) benefit a lot through cheap Chinese goods, China alone cannot be blamed for the huge imbalance in trade and if India wants to correct the anomaly then We should limit Our consumption of non-essential consumer goods just like We tried to rein in Our unrestrained appetite for gold in the recent years.

11. Majority of respondents (across various demographic categories) agree with the research statement that China causes huge trade imbalances in its favors by artificially keeping its interest rates low and preventing its currency from appreciating. To prop up its exports, the Chinese keep their interest rates low and prevent its currency from appreciation through artificial means (manipulation). This gives a huge fillip to Chinese exporters by subsidizing their costs and incentivizing their exports. This is an unfair trade practice being followed by the Chinese but since the entire global market is dependent upon cheap Chinese goods hence the Chinese are never taken to task and are having their cake and eating it too.

12. Majority of respondents (across various demographic categories) agree with the research statement that India’s trade with China is highly imbalanced because it primarily exports non-value added commodities and imports high value-added manufactured goods. One of the major reasons why India is incurring a huge trade imbalance with China is because India primary exports cheap non-value added commodities like minerals, ores and other raw materials which are utilized by the Chinese manufacturing industry to produce highly profitable value-added goods. Unless these anomalies are rectified, India would continue to suffer huge trade imbalance with the China.

13. Majority of respondents (across various demographic categories) agree with the research statement that Chinese non-tariff barriers and informal restrictions (such as customs, standards and quantitative restrictions) on the Indian export are making Chinese markets difficult to access, leading to imbalance in trade. These restrictions hugely discourage imports from Indian exporters. Also, the Chinese
resort to all sorts of unfair trade practices (in favour of its local industry) which make it very difficult for Indian exporters to penetrate the Chinese market. This results in the bilateral trade getting skewed heavily in favor of China.

14. Majority of respondents (across various demographic categories) agree with the research statement that the structural shift in China’s export from primary products to technologically-intensive machinery has resulted in China capturing a huge chunk of Indian market. China opened up its economy in the late 1970’s and focused on moving from exporting no/less value-added primary products to high value-added finished goods and thus became technically more advanced. Through substantial investments in R&D (domestic as well as FDI funded) and piracy of technology (there’s scant regard to IPR laws in China) they started exporting heavy machinery and other capital goods at competitive prices and soon captured a major chunk of the global market. So unless India learns lessons from the Chinese and move up the value ladder it cannot hope to have balanced trade with China.

(C) Strategies to Correct the Rising Trade Asymmetry

15. Majority of respondents (across various demographic categories) agree with the research statement that to press for Yuan appreciation, India should join hands with China’s major trade partners like the US, Japan and EU etc to put pressure on China. India must enlist the support of China’s major trading partners (like the U.S., Japan and EU etc.) so that the Chinese are prevented from appreciating its currency through artificial means which provides the Chinese exporters unfair trade advantage over their global competitiveness.

16. Majority of respondents (across various demographic categories) agree with the research statement that rising trade deficit with China despite imposition of need-based anti-dumping duties represent gap in productivity between the two countries, especially in manufacturing. In many critical sector (like steel and heavy machinery etc.) India from time to time has imposed countervailing anti-dumping duties on cheap Chinese exports, helping domestic industry. The Chinese dump their cheap goodies all over the world (including India) as a matter of state policy but countries like India must defend local industry at all costs. The irony is, despite all counter measures the Chinese merchandise is still far cheaper than what is produced locally in India. This has made Indian consumers started preferring cheap Chinese goods
(which are relatively inferior in quality) to expensive India’s goods (which despite better quality lose out on cost).

17. Majority of respondents (across various demographic categories) agree with the research statement that India should target improvements in its own productivity and competitiveness to balance trade with China by making Indian exports more competitive in the international market. Unless India makes concerted efforts in making Indian exports more competitive and making huge strides in improving our productivity of factors of production (like land, labour and capital) India stands no chance competing against the ruthless Chinese. Thus reforms in land acquisition, more liberal labour laws and improving India’s standing on Ease of Doing Business indices are the need of the hour.

18. Majority of respondents (across various demographic categories) agree with the research statement that to bridge the rising trade gap India should focus on export-competitive products not being currently exported to China despite the demand. There are certain areas and sectors where Indian competitiveness is unmatched but due to variety of reasons the Chinese are adamant not to import from India (citing lame excuses). Though India is quite liberal in allowing disproportionate Chinese imports, the Chinese do not reciprocate India’s concerns towards a mutually-beneficial, balanced and fair trade.

19. Majority of respondents (across various demographic categories) agree with the research statement that in the short-term India could focus on products that do not require intensive technology to manufacture to win significant Chinese market share, lowering the trade deficit. Since India at the time being cannot compete against technologically-advanced economies of the U.S., the EU and Japan (China’s biggest trading partners) so India should look out for unexplored niches which do not require high-end technological manufacturing and are still unexplored by other competing countries.

20. Majority of respondents (across various demographic categories) agree with the research statement that export-oriented FDI has the potential to turn India into a major industrial economy and will significantly help in addressing its trade deficit with China. However Indian economy till today has been highly focused on domestic consumption as opposed to the export-oriented development model of
economies like China (and other nations of ASEAN and the Far East). However in the last few years, with adoption of far-sighted pragmatic policies like Look East and Make in India, India has started to improve competitiveness of its factors of production (land, labour and capital) and has started viewing the vast global export market as a major growth driver of Indian economy. India’s score in Ease of Doing Business parameter has also improved vastly in recent years so in coming years and decades we should witness positive change.

21. Majority of respondents (across various demographic categories) agree with the research statement that the assumption that a closer dialogue between the officials and leaders of both countries is essential to negotiate the vexed issues of trade barriers and restricted market accessibility to Indian exports, making for a more balance trade between the two nations. Keeping in mind the close personal rapport between the top leadership of both the countries, India should push hard for better market access for its exporters and make China realize that the huge burgeoning trade deficit would be economically unviable and unsustainable in the long run. So in order to keep its Indian market intact and growing, China must be ready to offer privileged access (on the lines of the U.S., the EU and Japan) to India and make the trade as much balanced as possible because if the relationship between the two nations sour (as the recent Doklam controversy forewarned) then China would lose a very big market for its producers and they would be hit very hard. The impact on Indian consumers would not be that devastating.

(D) Mutual Economic Collaboration

22. Majority of respondents (across various demographic categories) agree with the research statement that Indian governments have not been able to make the best use of Indian’s comparative advantages with China in order to tap into the under-exploited Chinese market. There are many sectors (like Pharmaceuticals and the IT industry etc.) where the Indian industry enjoys substantial competitive advantage over Chinese companies but still India has not be able to penetrate into many unexplored areas of the Chinese market for variety of reasons. India should try to exploit these virgin territories so as to make the trade more balanced and less skewed in favour of the Chinese.

23. Majority of respondents (across various demographic categories) agree with the
research statement that as India requires immediate investment in its manufacturing sector to improve output, employment opportunities and in resolving the supply side issues, another way to overcome the trade deficit is by attracting large sums of Foreign Direct Investment (FDI) from China. In order to compete against the competitive Chinese, India must aggressively attract FDI from all over the world just like the Chinese have been doing from the last four decades. China is reaping the (first mover) advantage of opening up its economy one and half decades before India embarked on its policy of Liberalization, Privatization and Globalization which resulted into China enjoying a head-start in becoming the manufacturing hub of the world. Similar export-oriented model of development has been followed by countries of ASEAN and earlier by East Asian miracle economic (like Japan, South Korea, Taiwan and Hong Kong). Slowly but steadily, India could hope to raise its productivity of its factors of production (land, labour and capital) at par with Chinese in the next one to two decades.

24. Majority of respondents (across various demographic categories) agree with the research statement that cumbersome business environment, bottlenecks in infrastructure, archaic labour laws and poor environmental standards have discouraged foreign investment and consequently affected the growth of the manufacturing sector in India. The Indian manufacturing sector has lagged behind its global peers (particularly neighbouring Asian export-oriented economies like ASEAN and China) because India never tried to reduce its bureaucratic red-tapism, removing huge infrastructural bottlenecks (like highways, ports and airports etc.) or reforming archaic labour laws and poor environmental standards. This has discouraged foreign investors from investing in India and thus Indian manufacturing sector lagged behind its Asian peers. India’s myopic License Raj and Industrial Quota policies resulted into severe overprotection (of big crony capitalists) and lack of competition in the domestic market and withdrawing any incentive for export-oriented manufacturing. Post-liberalization, many of these problems have been eradicated and India has started outstripping China in GDP growth.

25. Majority of respondents (across various demographic categories) agree with the research statement that India needs to solve internal structural issues (like fiscal policy, macroeconomic instability, retarded growth, incentives to exporters etc.) if it has to attract greater investment from abroad. To emerge as the top FDI destination
in the world, India must strive to resolve its critical structural issues like weak fiscal policy (constrained by limited tax net and burdened with huge non-essential subsidies), macroeconomic instability (occurrence of high interest rates, high inflation, low employment, low savings and low capital formation), retarded growth (due to recession) and lack of proper incentives to exporters; like what China has focused all these years. So India must resolve these teething problems if wants to encourage FDI in its capital scarce economy and stop flight of foreign investors to foreign shores like China and other emerging markets.

26. Majority of respondents (across various demographic categories) agree with the research statement that excessive security review process, complicated land acquisition procedures and administrative inefficiencies are some of the issues that Chinese investors face in trying to invest in India. Due to history of antagonism between the two nations, even those Chinese companies which want to invest in India are given short shrift by excessive security review processes, complicated land acquisition procedures and general administrative inefficiency which discourage Chinese investors to invest in India.

27. Majority of respondents (across various demographic categories) agree with the research statement that by prioritizing expansion of its manufacturing sectors (through policies like Make in India) India can harness its huge trade potential with China; gaining a lot from export diversification and greater investment from abroad. The ambitious flagship economic program started by the Indian Govt. intends to seriously augment India’s manufacturing capabilities in all areas (from low-technology to high-technology) with the help of foreign investors and their joint ventures (including transfer of technology) with Indian partners. Make in India Program has the potential in help India emerge from the shadows of obscurity; developing top-class industrial infrastructure by collaborating with leading economies of the world including China. Just like the Japanese-funded Delhi Metro and Delhi-Mumbai Industrial Corridor (DMIC) the Chinese could explore investment opportunities and have a mutually beneficial trade and investment relationship with India.

28. Majority of respondents (across various demographic categories) agree with the research statement that India and China should deepen their collaboration in various trade and economic formations (like BRICS, SCO, APEC, ASEAN and EAS) and
global bodies like the UN and WTO in order to promote converging politico-economic interests. Apart from the nagging border disputes and China’s blind support to its all-weather ally Pakistan (which has been sponsoring terrorism all over India for decades) there is hardly any major political difference between the two nations and both are taking up leadership position in mutually-beneficial institutions like BRICS (leading up to the formation of BRICS Bank) and SCO. As India has been invited to join various trade associations like APEC, ASEAN and EAS (though initially as an outside observer and later possibly as full-fledged member) India’s politico-economic influence is growing in all the major political and economic institutions in the world. Some of the major powers in the world (like the U.S., Russia, Germany and Japan etc.) are supporting India’s inclusion (along with India’s reciprocal support to Japan, Germany and Brazil’s candidature) as a Permanent Member in United Nations Permanent Security Council. It will also help matters if China does not create road-blocks in India’s political ascension. Till then, both the countries could keep on collaborating in important global bodies like the UN and WTO as they have done in the past from GATT negotiations to climate change agreement.

(E) Sectorial Complementarities of Economies and Strategies

29. Majority of respondents (across various demographic categories) agree with the research statement that while China has a distinct cost advantage in most products, India too is very competitive in some sectors (like pharmaceutical, textiles and services) where it needs better access to Chinese markets to correct the widening trade imbalance. India is not able to leverage its competitive advantage because Chinese stall Indian exports in these areas by erecting unfair non-tariff barriers and informal restrictions (like customs, standards and quantitative restrictions) thus depriving India the opportunity in balancing the trade.

30. Majority of respondents (across various demographic categories) agree with the research statement that economic liberalization beginning much earlier in China than India resulted in India missing out on some big advantages in trade and investment opportunities that catalyzed China’s manufacturing boom. Since China liberalized its economy nearly one and half decades earlier than India it had a head-start in attracting FDI (capital, technology and top managerial talent) and was able to reinvest its profit (through higher taxes and revenues) into big infrastructure
projects from agriculture to irrigation, highways to ports and airports. The eastern part of mainland China is hub of SEZs all of which are intricately interconnected with a web of national and state highways which helps the industries in sourcing raw materials as well as shipping finished goods in least possible time. India is lagging far behind China in infrastructure creation and it is estimated that India would take another one to two decades to reach the position at which China is today.

31. Majority of respondents (across various demographic categories) agree with the research statement that with continued slowing down of the Chinese economy and India emerging as the fastest growing economy in the world, India could hope to close down the gap with China in industrialization and manufacturing supremacy in years to come. It is estimated that in another two decades, China shall become the largest economy in the world leaving behind the U.S. (in PPP terms it is already the biggest economy but in nominal terms the U.S. is still ahead). It is also estimated that by 2050, India shall overtake the U.S. to become the second biggest economy in the world after China. As Chinese economy is decelerating and Indian economy is picking pace, China and India could be found neck to neck in another two decades. So India must focus on harnessing its Demographic Dividend while the Chinese workforce is depleting (with its regressive One Child Policy) and aging fast.

32. Majority of respondents (across various demographic categories) agree with the research statement that India needs to seriously examine why the Chinese companies (while they have been great at peddling their products in India) have been surprisingly reluctant to invest here in comparison to other less attractive countries. Apart from Japan, China considers India as its main adversary in Asia (politically, economically as well as militarily) and that is the reason why China is propping Rogue Nations like Pakistan and North Korea to undermine democratic India and industrialized Japan and South Korea. China’s String of Pearls policy is aimed at undermining and containing India’s influence in the Indian Ocean region and restricts India just to be a small South Asian sub-continental power. China’s jealous and insecurity might be the reason why Chinese companies are quite reluctant to invest in India. India should thus try to alleviate tensions and build bridges with China (by not coming across as overly anti-Chinese by joining the
American camp because ruffling Chinese sensitivities shall be counterproductive) so that both the Continental powers could collaborate for mutual benefit and not act like adversaries.

33. Majority of respondents (across various demographic categories) agree with the research statement that unresolved border dispute between India and China leads to a serious problem of trust deficit and related security issues affecting trade and investment and is a major impediment to remove for harmonious political and economic relations between the two nations. China has been working vigorously to expand its trade outreach to newer markets in Europe and Africa through ambitious initiatives like OBOR (One Belt One Road) and towards this end has invested heavily in CPEC (China-Pakistan economic Corridor). India objected to CPEC project highway passing through Indian-claimed but Pakistan-occupied Kashmir (PoK). It is the ultra-sensitive boundary dispute between both the nations which should be dealt sensibly and resolved amicably (just as China has done with all its neighbors except India and Vietnam with which it fought wars against to assert its political and military superiority) only then both the nation could economically collaborate on the same lines as Sino-Japan trade, investment and economically co-operation.

34. Majority of respondents (across various demographic categories) agree with the research statement that greater Chinese investments in India’s infrastructure could be mutually-beneficial to both the countries and help to reduce the trade deficit. Just like China is pumping hundreds of billions of dollars in its trade initiatives like OBOR and CPEC, China could harness the possibility of investing in India’s infrastructure in a major way and reap the rewards and goodwill for a long time to come. Since India has done her utmost in soothing Chinese nerves on sensitive issues like One China (Tibet and Taiwan being integral parts of China) China has not reciprocated on the same lines (China still claims Arunanchal Pradesh as South Tibet and even contests Indian claim to Ladakhs and surrounding areas) so the political relations between the two big nations are the most important factor in deciding which way Indo-China trade relations are heading. Dealing with China is like walking on thin ice but India is doing a fine balancing act.

35. Majority of respondents (across various demographic categories) agree with the research statement that India and China need to reduce their trust deficit by
overriding current diplomatic irritants (which are a baggage of history) through deeper engagement on the political and economic front. The recent Doklam controversy highlighted the level of trust deficit and looming threat India’s security. Thus serious efforts to resolve the long-standing border dispute between the two nations must be undertaken by the political leadership of both the countries and mutually acceptable solution and/or compromise shall be beneficial for both the nations. Since India has never been a threat to China and has always recognized China’s claim on Tibet and Taiwan (respecting China’s One China policy), on the other hand China has always supported India’s arch-enemy Pakistan and also covertly supports separatists in India’s insurgency-afflicted North East. It would be prudent not to expect a quick solution of India’s border dispute with China and both nations should better keep the border tussle in cold baggage (to be resolved at a favorable time) and concentrate on reaping the rewards of economical and political co-operation. Hopefully China understands that India could not be pushed around like other small countries and that trade with India is much more beneficial to her than India.

5.2 CONCLUSION

A study of Indo-China trade relations has been carried out in depth. It provides understanding of political, economical and trade relations, analyzed reasons behind trade deficit and strategies to correct it, sectorial complement and trade cooperation with regional trade blocks. The India and China are not merely societies but they are the oldest civilization of the World. Their mutual cultural and trade relation are more than thousand years old. In spite of political tension economical cooperation has continued to expand since more than thirty years, the trade, conceptual and linguistic exchanges are very old. The trade through silk route between both the countries is also from ancient times. Emperor Asoka’s propagation of Buddhism to China brought both civilization even closure.

China moved to globalization and free economy since 1978 where as India delayed it by more than twenty years and started in 1991. Bilateral trade between India and China grown rapidly since 2000 where the trade between both the countries was $2.91 billion to $18.6 billion in 2005 which has increased to $70.2 billion though, the bilateral trade is increasing exponentially. The trade deficit in 2005 was $0.83 billion which has increased to $46.6 billion in 2016. This huge
trade deficit is serious concern to India. This trade deficit will not be sustainable for long period. In addition India should reduce the prevailing trade imbalance with China by increasing the pace of economical growth.

India and China are the two fastest growing economies of the World presently. The Prime Minister of India and President of China had visited each other countries recently and signed more than fifty documents covering various fields. These include business to business cooperation, climate change, space cooperation, railways, skill development, tourism and many more. In addition various varieties of other sectors such as thermal energy, steel, capital goods and renewal energy were signed. Besides, there was a clear consensus among the leaders on correcting the existing imbalance bilateral trade and injecting sustainability into it. Keeping this in mind both agreed to establish high power task force to look into issues of trade deficit as well as expansion of economic engagement. The recent standoff at Doklam has raised serious concern about the mutual relation between both the countries. However, crisis has been managed by both the political head of both the countries in the very mature and statesmanship was shown.

5.3 SUGGESTIONS

- India’s political relationship with China has seen highs and lows in recent times. There is no quick fix solution to address the border disagreement but to lower the frequent friction between the two countries joint working groups and frequent bilateral meetings would be helpful in building trust, confidence and better coordination.

- Medium to long term planning is required to raise the competitiveness of Indian manufacturing bringing it at par with China. Proper incentives to exporters and encouragement to foreign investors would be the key to unlock the manufacturing potential of the country.

- The biggest roadblock to Indian industry not being competitive is structural limitations due to lack of adequate social and physical infrastructure. Govt. must make concerted efforts to improve the social and physical infrastructure of the country. India should learn from China’s investments in critical social sectors like health and education and also in aggressive development of its physical
infrastructure.

- Chinese investment in India could be augmented by providing the Chinese the same red carpet welcome as extended to the American, European, Japanese and Korean investors.

- Strict government regulations in China have severe consequence for Indian companies from entering the Chinese market. However, foreign companies have been able to penetrate this wall. There is requirement of depth study of Chinese provincial and central govt. regulations and partnerships with local bodies.

- There is a serious knowledge and information deficit in India about China. Indian businessmen do not have in-depth knowledge of the Chinese market. A joint industry-government collaboration could be helpful in resolving this knowledge gap.

- Some unfounded security concerns delay (and often lead to denials) into both investment proposals from Chinese companies and travel to India by their nationals, particularly scholars and academics. Since most Chinese companies depend on their think-tanks, this is counterproductive. Government must ease the procedures and encourage more people to people contact.

- Deep structural problems in India’s industrial sector (related to land, labour and capital) are primarily responsible for less than full utilization of India’s manufacturing potential. Reforms in these critical areas are the need of the hour.

- India has been hitherto diffident in challenging Chinese supremacy in Indo-China trade. India must assertively make its concerns known to China about the ill effects of long-term skewed trade on the financial health of its economy and how balance of payment issues could snowball into a major crisis in times of global recession.

- There exist huge unexplored opportunities for collaboration between China and India. China’s position (being the dominant trade partner) is quite comfortable but India needs to pull up its socks by paying attention to enhancing the productivity of its manufacturing sector. Govt.’s initiatives like Make in India program may help India achieve its full manufacturing potential.

- With a population of 1.3 billion, India is a huge market for China to ignore and despite all the political and military posturing; China realizes how much it can lose
by provoking confrontation with India. So India should not be unduly afraid of Chinese state media propaganda and pursue its national interests (like better strategic understanding with democracies like the U.S., Japan and Australia who are the major stakeholders in the Asia-Pacific region) without any fear. So trade and diplomacy must be used hand in hand to contain as well as peacefully engage a growing (in influence and power) China.

5.4 SCOPE OF FURTHER RESEARCH

The Trade has assumed significance due to vital role it plays in accelerating the pace of development. The subject since occupied a center stage in the wake of recent World wide economic development. Different aspect of Indo-China trade relation has been analyzed by researcher. However the coverage area of present study restricted to National Capital Region which can be broaden to vast area, especially to metro cities of India. A large sample size can be taken across the country to broaden the research study. In addition the event study methodology on the changing pattern of calendar anomalies on India -China trade can be studied. Also the important regulatory measures taken by Government from time to time, market regulators and their impact on mutual trade is another field for enhancing scope of studies.