IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Effect Of India And China Export Compositional Changes Since 1991 Trade Liberalization

[1]Mani.S, [2]Dr. Ganapathy.S

1.Research Scholar, Department of International Business, Alagappa University Karaikudi Tamilnadu
2.Professor, Department of Commerce, Alagappa University, Koralkudi-630 003.

Abstract: It is the study to analyze the effect of trade achievements in exports since post liberalization 1991.India and China are the largest populist Asian Nations among the global Countries. History has revealed long trade relationships even before the present modern civilization compared to other global developing continents. China liberalized its policy on global trading measures as early as in 1978. India was very much attached to its domestic self-sufficiency and Nationalistic approach took a long time to liberalize its external world trade policies till the year 1991.China was maintaining its trading accounts comfortably for a period up to 1990 's except during the periods 1950 and in the half of 1980.India has been the founder member of WTO ,China entered into the Organization of World Trade in 2001.Hong Kong and Taiwan have played a vital role in the China's comfortable foreign investment kiddy's and helped China's growth advancements in global trade after the free trade policy announcements. Different is the case with India, as the NRI contribution was not much significant as India was adopting a policy of strict restrictions on FDI exports. The FDI value accounted to very small in volume when compared to China's huge inflow of FDI as China had already opened its trade policy to the rest of the World. Though there are some similarities and dissimilarities in economic cooperation between India and China, a large scope of economic exchange was imminent and the two countries are advancing fast to achieve their goal in trading internationally. As both the countries are store-house of the global's largest pool of trained human asset in the present 21'st century hopes to be the world's machines of all-round tools for advancements in every sphere. Comparing to India's total Global exports, China's share after free trade policy declaration 1991 touched to 3.60% from the past 1%. Trade intensity index demonstrated by India and China are measured by using regression equation $M_{ij}=[n_{ij}/Z_{ij}]\div[n_{wj}/Z_{wt}]$ where n_{ij} and Z_{wj}, are the values of country i's exports and world exports to country j, ni_t is i's combined export, and Z_{vit} is aggregate of Global export. The period of study has been segregated into seven groups 1990-'91, 1991-'96, and 1996-'01, 2001-'06, 20062011, 2011-2016, 2016-2020.India's traditional trade category took its lead primary and resource-oriented products. Other items showed their strong presence is Iron and Steel, plastics, and auto parts. Importantly pharmaceuticals and machinery exports placed notable place after 1991 trade liberalizations. The study showed that India's Exports to China despite various bilateral issues between the two countries improved considerably in its facts and figures.

Index Terms - China Trade Liberalization Policy, Trade Intensity Index, PI-Populist Nations, World Trade Organizations, Foreign Direct Investments.

1. INTRODUCTION

Globally witnessed large economies are India and China. Diversified Industrialization and Trade paving the scope for vast domestic markets. According to ratings of different International Agencies both India and China are fast emerging import export markets with large human resources for accelerating economic growth. As per the study made by various Global trade sectors involved in economic growth concur that India and China possess the capacity to raise world Power House. Huge human power and large quantum of natural resources shows unique characteristics between two countries. Two major factors to be considered barrier in the process of development in both the countries are paucity of capital and still dependent of farm activities leads poor standard of living. Upgrading Standard of living by accelerating poverty alleviation measures are basic agenda of development of economic growth. India and China have removed their trade restriction policies and notably China a fastest growing economy entered WTO was an important step in integration of existing origination members. New opportunities and challenges are opened to India's trade activities in domestic, Chinese and world business arena. Examinations are made in this study to assess the impact of trade with China since liberalization process initiated by India in 1991. a) Commodity prospects strengthened its footing in already holding product lines and identified new areas by studying export composition groups. India and China trade band and areas available for expansion of export trade areas in mutual exchanges in the inside-outside industrial structures. b) To assess the competitive power of both India and China in the labor-oriented manufacturing items accounting as cotton and allied segments, leather composed predominant items, chemical based and high rated technological implements. c) To combat China's dominance in the areas of Electric and Electronic goods, silk and other fabrics. Indian companies are lacking of expertise in textile products, woolen and embroidery. After 1991 open trade policy announcement India gained enough expertise in areas of garment making using our own cultivated raw produces of sericulture output, plastic materials. d) In areas of minerals and metals India gained momentum in iron and allied materials, magnesia, chrome, silicon, aluminium, galvanized steel, and alloys. {Planning Commission of India Annual Report 2006}. India seriously making its efforts in the domain of magnesia, lithium, bauxite, steam coal, mate coke, chrome, silicon, betanapthanol, lead, tin, zink, bismuth, tiles, and agricultural tools. Cheaper prices and good quality are the preference for the Chinese products. After trade liberalization India took advantages of the market demand and made good progress in exporting these products. e) In the field of Chemicals and allied products, barring three good old companies, many new companies in India emerged exporters in acid of phosphoric, Chloride products from magnesium, chemicals and allied items born out of petroleum substances, and steel, rubber derived chemicals. Prospective symptoms are imminent in exports in the field of phosphates made out of sulphates, acids produced from raw calcium. sulphonic acids, vitamin B 12 and antibiotics. (Planning Commission of India **Annual Report-April 2006).** India by opening its trade to global market, there are a major setback for *India in the areas of photographic films, cameras and binoculars as the margin is very low and the product quality* is of superior in nature. Sustainable trade is experienced in case of complete modern invented equipment of telephone basic switching system, apparatus newly designed to suit complete solution for carrier, power fluctuation resistant transmission equipment, cathode of high standard ray tubes and x-ray clear tubes. Though there are plus and minuses in Trade with China, there is a potential export of Indian products to China. (ASEAN **China Export Group on Economic Cooperation-Jakarta: October 2001).**

II. DATA AND SOURCE OF DATA

For this study secondary data has been collected. Secondary Data values attempted in the paper comprises: Data base of Reserve bank of India, Primary survey conducted by SID in major cities in India, -India trade data base of Centre for Monitoring Indian Economy, Asian Development Bank database -The UN Commodity Trade Statistics -DGCI &Trade Statistics, WITS, a trade database of UNCTAD.

III. RESEARCH METHODOLOGY

The export bilateral trade analysis of India and China is taken into account the 6-digit band H.S.0 1996.Economic trade liberalization in 1978 and further extension in the year 1996 concerning Indo-China bilateral analysis have been done using UN Commodity Trade Data. The overall analysis exhibits macro-level reflections in exports, business volume expansion, trade future predictions, reasons attached to expansion and advantages are taking into Indo- China bilateral trade. ***(Data base of Reserve Bank of India identified and selected for the period of study)*** Product competitiveness between India and

China has been evaluated using relative third nation markets of United Nations, European Union, Japan and ASEAN. Revealed comparative advantages indexes named market share, relative unit costs are considered for this need. Growth rate of prevailing market contribution and potential trade parameters are used to measure the Indian exports to China. **{DGCI & S Trade Statistics}**

In joining WTO, China made cautious commitments in executing Indo-China bilateral trade scope. There was a good outcome in trade related matters as per the WTO commitments during the period between 1997-2013.A significant market potential was captured by India in the Chinese market. Special economic Zones developed by both competed in other country areas in the identical products, to acquire FDI in export enhancements. The study also exhibits trend in outward FDI from China to India and vice-versa. ***(WTO (2020), Trade Policy Review: India, Geneva:*** *WTO* ***Secretariat.)***

The trade intensity index data were assessed using the regression:

$$M_{ij} = [n_{ij} / Z_{it}] \div [n_{wj} / N_{wt} \qquad (1)$$

Where, n_{ij} and N_{wj} are the values of country i's exports and world exports to country j, n_{it} is i's total export, and N_{wt} is total world export.

The magnitude of trade concentration was assessed using empirical indexes.

a) Export product identification using 6- digit band HSC 1996.

b) Three and ten largest products exported.

c) Trade concentration was measured using 0 and 1 values.

d) The Statistical Tool used here is $H_j = \sqrt{\sum} \quad (ni/N)^2$

IV. RESULTS AND DISCUSSION

Table-1: Trade Tariff gained on China's trade exports: Mean weighted and un-weighted Tariff structure

Variable	*Year*	*Mean tariff % of n/N*	*Std. deviation of tariff rates %*	*Weighted mean tariff %*
Total products	*1990-*	*46.8*	*36.1*	*38.2*
	1991-	*20.1*	*18.2*	*22.9*
	1996-	*26.8*	*24.1*	*29.2*
	2001-	*20.8*	*10.1*	*12.6*
	2006-	*28.2*	*18.9*	*20.6*
	2011-	*34.2*	*26.1*	*28.2*
	2016-	*36.9*	*27.9*	*18.1*
Primary Products	*1990-*	*42.8*	*40.1*	*30.2*
	1991-	*28.1*	*24.2*	*18.2*
	1996-	*40.1*	*29.8*	*26.2*
	2001-	*42.9*	*40.1*	*38.3*
	2006-	*39.2*	*38.1*	*27.9*
	2011-	*16.8*	*14.0*	*12.1*
	2016-	*20.2*	16.1	*18.5*
Manufacturing Products	*1990-*	*40.6*	*35.2*	*32.3*
	1991-	*20.8*	*20.2*	*18.9*
	1996-	*36.5*	*20.1*	18.7
	2001-	*41.5*	*40.2*	*35.4*
	2006-	*32.3*	*29.8*	*27.4*
	2011-	*35.8*	*30.2*	*28.5*
	2016-	*42.8*	*41.3*	*36.7*

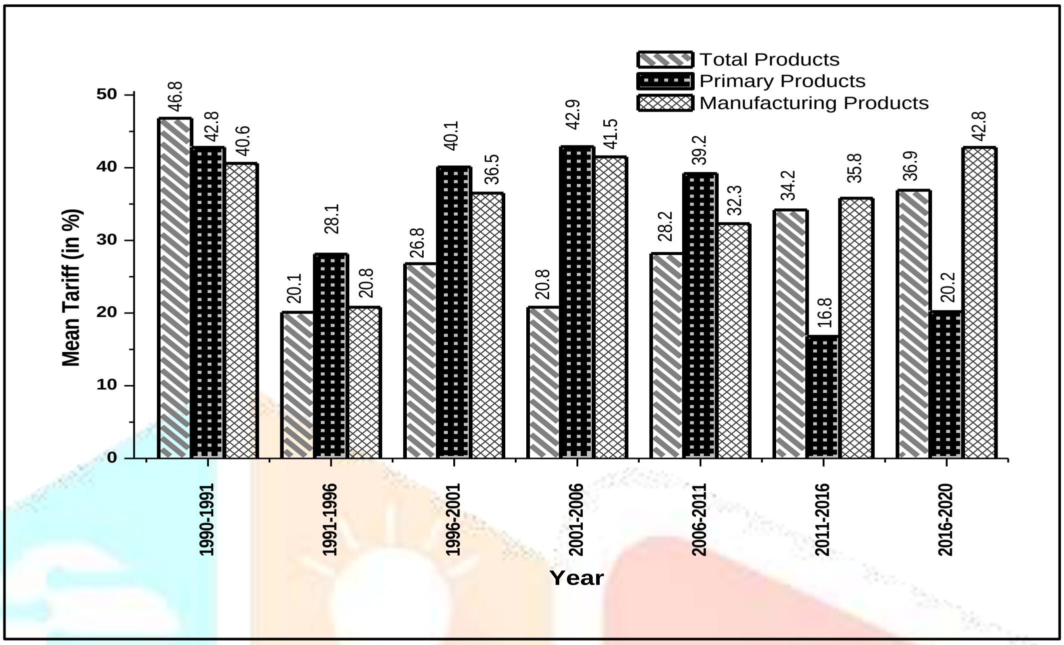
Source: Authors own calculation. Data collected from various years: World Trade Development indicators. Specific reference to India's Trade Liberalization Policy Effects on Commodity Composition.

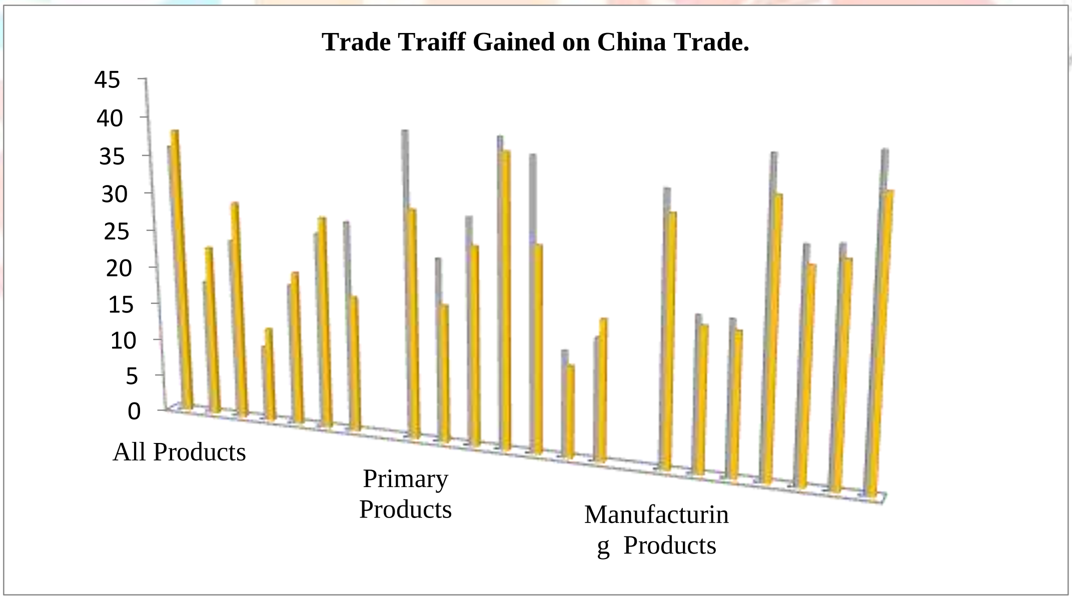
Table-1:Comprises the variables such as :-Total products, Primary product's and Manufacturing products. The data put into analysis are the periods between years 1991 and 2020.main tariff % of n/N shows steady increase 20.1 to 36.1 %.Standard deviation tariff rates in % are constantly improved its growth showing the results 18.2 in 1991 and 27.9 in 2020.In Weighted mean tariff % recorded 22.9 and 18.1.

Mean tariff % of n/N 28.1 and 20.2 for primary products, Standard deviation oftariff rates % 24.2 to16.1.Weighted mean tariff % Registered 18.2 and18.during the period under study.

In manufacturing products data.reveals Mean tariff % n/N 40.6 and 42.8.Standard deviation % of tariff rates 20.3 and 41.3.Weighted tariff % mean were 32.3 and 36.7.The 1991 trade liberalization and China's entry into the WTO basket boosted lot between the two Global leaders.

Figure 1: Mean Trade Tariff gained on China's trade exports





Despite various bilateral issues between the two countries India emerged victorious in achieving its tariff structure in year 2016-2020 to the level of 36.9 in mean tariff percentage in overall products ,20.2 in primary products and 42.8 in manufacturing products. The contributing factors for India's trade with China are 1) Free trade policy announcements made by India in 1991. 2) By adhere to the articles of WTO trade manifesto China assessed itself as member. India stands as founder member derived trade benefits on China's entry.

Policy Implications:

When the total global living structure collapsed by the unexpected COVID-19 Pandemic, India stood as a savior for the suffering Nations and supplied free of cost Covaxin and Covishield lifesaving drugs and medicines and all other needs. Humane act of India in times of need cleared barriers and paved friendly way to elaborate trade links. India is now on the agenda in "MAKE IN INDIA" venture it helps India in the area of Sate lite manufacturing and launching, Defense air-crafts, Internet services meeting global standards, Bullet trains meeting all Global standards of traffic to important Major Indian Cities of *importance. To attract foreign tourists to India, major air-ports are modernized to meet the tussle free air traffic.*

India is a country of Rural dominated the finance policy not to expected level to alleviate the poor ruralists. Yet to recover from the de-monetization sufferings, e-money is another jolt to the poor rural mass at large. E-commerce, e-net, net-related work from home ,e-education courses and e-administration approach are all not to suit our people of large 80% mass. The 1991 liberalized policy might find a way mitigate the sufferings of the rural folk. Meeting 8% economic growth, improvements in FDI balance and reducing BOP position are needed for India to aspire to become Permanent Member in the UNO Security Council. Allowing foreign big business magnets are almost swiped out the small Indian poor traders. A special policy needs to be immediately formulated to save the 80% Indians live below standards.

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