

## EFFECT OF INDIA AND CHINA EXPORT COMPOSITIONAL CHANGES SINCE 1991 TRADE LIBERALIZATION

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### 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 upto 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 kitty'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<sup>st</sup> 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's exports and world exports to country j,  $n_{ij}$  is i's combined export, and  $Z_{wt}$  is aggregate of Global export. The period of study have been segregated into seven groups 1990-'91, 1991-'96, and 1996-'01, 2001-'06, 2006- 2011, 2011-2016, 2016-2020. India's traditional trade category took its lead in 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.

**Keywords:-** 1978-China announces its trade liberalization policy, TII-Trade Intensity Index, PI-Populist Nations, WTO-World Trade Organizations, FDI-Foreign Direct Investments. SWF-Skilled Work Force. P&RBP-Primary and resource based products.

### 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 into WTO was an important step in integration of existing origination members. New opportunities and challenges are opened up 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 Electricand Electronicgoods, silk and other fabrics.Indian companies are lackingof expertisein 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 sericultureoutput, plasticmaterials. d) In are as of minerals and metals India gained momentum in ironand 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, steamcoal, mate coke,chrome, silicon, betanaphthanol, 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,andsteel,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 12and 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 equipments oftelephone basic switching system, apparatus newly designed to suit complete solution for carrier, power fluctuation resistant transmission equipment, cathodeof high standard raytubes 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 EconomicCooperation-Jakarta: October 2001). Areas of required values sourced**

**Secondary Data Values Attempted In The Paper Comprises**

1. Database of Reserve bank of India.
2. Primary survey conducted by ISID in major citiesin India.
3. India traded at a base of Centre for Monitoring Indian Economy.
4. Asian Development Bank database.
5. The UN Commodity Trade Statistics.
6. DGCI& STrade Statistics.
7. WITS,atrade database of UNCTAD.

### Methodology

The export bilateral trade analysis of India and China is taken in to account the 6-digit and H.S.C1996. 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 & STrade 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 are as 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:-

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

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.

1. Export product identification using 6-digit and HSC 1996.
2. Three and ten largest products exported.
3. Trade concentration was measured using 0 and 1 values.
4. The Statistical Tool used here is  $H_j = \sqrt{\sum (n_i/N)^2}$

**Table-1.1: Trade Tariff Gained on China's Trade Exports: Mean Weighted And Un-Weighted Tariff Structure**

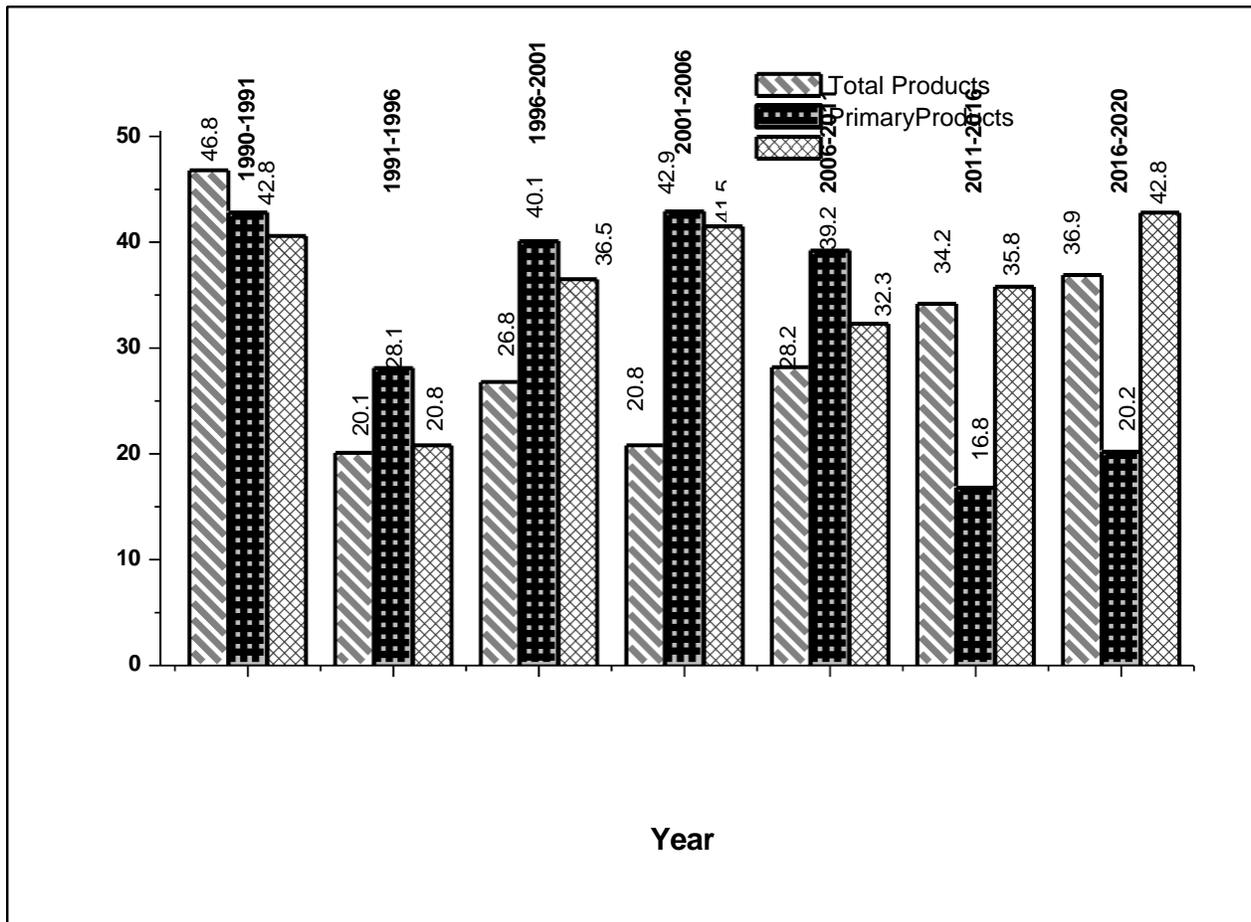
	Year	Mean tariff % of n/N	Std. deviation of tariff rates %	Weighted mean tariff %
<b>Total products</b>	1990-1991	46.8	36.1	38.2
	1991-1996	20.1	18.2	22.9
	1996-2001	26.8	24.1	29.2
	2001-2006	20.8	10.1	12.6
	2006-2011	28.2	18.9	20.6
	2011-2016	34.2	26.1	28.2
	2016-2020	36.9	27.9	18.1
<b>Primary Products</b>				
	1990-1991	42.8	40.1	30.2
	1991-1996	28.1	24.2	18.2
	1996-2001	40.1	29.8	26.2
	2001-2006	42.9	40.1	38.3
	2006-2011	39.2	38.1	27.9

	2011-2016	16.8	14.0	12.1
	2016-2020	20.2	16.1	18.5
<b>Manufacturing Products</b>				
	1990-1991	40.6	35.2	32.3
	1991-1996	20.8	20.2	18.9
	1996-2001	36.5	20.1	18.7
	2001-2006	41.5	40.2	35.4
	2006-2011	32.3	29.8	27.4
	2011-2016	35.8	30.2	28.5
	2016-2020	42.8	41.3	36.7

Source: Authors own calculation. Data collected from various years: World Trade Development indicators.

### Mean Tariff (in %)

Specific reference to India's Trade Liberalization Policy Effect on Commodity Composition.





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