AUTHOR
Deepa Gupta
Research Scholar & Part Time Lecturer, Gauri Shankar Girls P.G. College, Bulandshahr.

Prospects of India's Foreign Trade with China

ABSTRACT

The Herculean task of economic reconstruction and industrialization beckoned the dawn of India's independence in 1947. The goals of achieving an all round economic self-sufficiency transforming the backward agrarian Indian economy into an industrial nation and ensuring the millions a better quality of life. This warranted colossal amount of resources quite apart from building the requisite infrastructure. India always had a surplus with the whole world including Europe, which was settled by the inflow of gold into India. But there was a steep decline in trade in the subsequent years since 1800 BC when the Aryans were ravishing most of Asia. In a variety of industries, cheap imports from China are killing local manufacturers. It needs probe as to how much profit is due to China's competitiveness and how much due to dumping. With the advent of globalization, liberalisation, and reduction in trade import and export barriers the world has today become a tiny village. There are vase opportunities for increasing the contents of our export basket to China.Quantum of Export and Import with China is very low as compared other developed countries or the world. The composition of exports and imports with China has changed since 1991. The reduction in custom tariffs has positively contributed to trade with China. Terms of trade for India still remain unfavourable.

1. INTRODUCTION

Most of the third world countries have a colonial past marked by extensive and intensive exploitation of their economies by the colonial powers. One of the important instruments of exploitation has been the instrument of foreign trade. Many development economists in the 1940s and 1950s pointed out that the colonial powers have had the best of both worlds, both as consumers of primary commodities and as producers of manufactured articles while the colonies (the undeveloped countries) have had the worst of both worlds, as consumers of manufactures and producers of raw materials. This was due to declining prices of primary goods and increasing prices of manufactured goods causing the terms of trade of deteriorate considerably over time for the undeveloped countries (which were exporters of primary goods). Therefore many undeveloped countries that won independence in the post – World War II period viewed foreign trade and investment with a certain amount of suspicion. Accordingly, they turned their attention to the domestic markets. Many of them also adopted large – scale programmes of utilization to build up the industrial sectors of their economies and reduce their dependence for manufacture goods on the developed countries. Therefore the emphasis was on 'inward oriented' policies. As far as foreign trade is concerned, this meant large – scale import substitution through extensive protected of domestic this period rose form $ 1,273 million to $ 15,869 million and further to $ 50,536 million.

In this context the words of the former Governor of Reserve Bank of India. Sh. Bimal Jalan are worth mentioning. The present state of affairs of our World Trade is very dismal. Taking India as a partner in World Trade, if a map is drawn it will be observed that India with a population of over 1000 million will find a smaller place in comparison to Singapore with a population of just 3 million. We will have to resort to a magnifying glass to find India at the World trade map (RBI Bulletin Feb. 2002, P – 90).

2. OBJECTIVES

1. The trends and composition of imports and exports with China and Pakistan
2. The impact of WTO on our trade with China and Pakistan
3. The importance of reduction in customs duties on Foreign Trade with China and Pakistan
4. The attitude of policies of China and Pakistan members towards India
5. The quantum of Foreign Trade with China and Pakistan.
6. The position of Balance of Payment with China and Pakistan
7. Other factors that hamper out trade with China and Pakistan and
8. To make suggestion for increasing our Foreign Trade with China and Pakistan.

3. INDIA-CHINA TRADE

China and India both have Unbelievable amount of entrepreneurship but the way it is growing in the two economics is very different and is being shaped by two fundamental factors. There is much more FDI going into China, both in flow and stock terms. This has two implications – first there is room for new entrepreneurs in China that create business models that complement multinationals for example as suppliers to them. This might lead to a possible crowding out of other would be entrepreneurs by multinationals.

In India , however, things are different. While many senior government official in a multiparty system have embraced the idea of reform, there are lower – level irritants but they are neither constraints nor enablers of much of India's entrepreneurial favour. A lot of entrepreneurship in India is happening in sectors which are not much affected by the vestiges of Licence Raj. So while India and China both have high level of entrepreneurship, they are following very different models. And so far there is little to suggest that either one dominates the other on all counts. Two- way trade between China and India rose to $ 24 billion in 2005 from $3 billion in 1999. Both countries have also become more important to each other's trade. In 1999, China was India's 13th most important import source and 17th as an export destination, but by 2005 China had risen to third in both. Although India does not rank quite as highly in China's list of trading partners, it too has risen in importance, to 16th . The growing trade between these two large emerging markets reflects their continuing development, but might also indicate greater integration into regional value chains, with trade shifting away from the U.S. whose share in both countries' trade has decreased.

Still, trade between the two countries has increased impressively, often exceeding the expectations of the governments of the two countries. Two-way trade between India and China surged from 260 million US dollars in 1980 to nearly ten billion dollars in 2004.The figure of aggregate export – import trade is expected to touch 20 billion dollars during the current financial year (ending in March 2007) and is slated to touch 30 billion dollars by 2009, states a report prepared by the Federation of Indian Chambers of Commerce and Industry (FICCI). If these projections materialize, China would overtake the U.S. as India's largest trading partner. India and China have agreed to boost bilateral trade to twenty billion by 2008. Last year, trade totaled Thirteen-point- six billion, with India recording a trade surplus of one- point seventy- five billion.

At present, over 70 per cent of Indian exports to China are concentrated in three product categories : ores, slag and ash; iron ore; and plastics. India buys a wider range of products from China including electrical equipment, nuclear reactors, mineral fuels, organic chemicals and silk. The FICCI report says India has opportunities to expand exports of a wide range of items to China such as cotton yarn, fabrics, automotive parts, electronic components, I.T. products and services, pharmaceuticals, handicrafts, marine food, fruits, vegetables and construction materials.

Economist and international trade expert T.K. Bhaumik argues that the China has been able to grow faster than India because of “Superior economic reforms strategy”. “Unlike Mikhail Gorbachev in the former Soviet Union, Deng Xiaoping did not discourage the public sector hile encouraging private enterprises, “he says, adding that this aspect of China’s economic experience was worth following by countries like India. A major difference between the two economics is that whereas China is a manufacturing powerhouse, India has emerged as an important provider of a range of service, especially those related to computer software and information technology (IT). Much of the rise in India’s export to China has been fuelled by the latter’s voracious appetite for raw materials such as metal ores and petro-chemicals.

India has nearly 1.1 billion people, while China has 1.3 billion. Despite the apparent similarities, there are also major differences in the political and economics systems of the two. India prides itself as being the world’s largest democracy. But its economy is smaller and growing at a slightly slower pace in comparison to that of China. In contrast, over the last ten years, cumulative inflows of FDI to India have aggregated roughly 45 billion dollars. These figures are, however, not strictly comparable. Foreign direct investment (FDI) has been pouring into China at levels exceeding 150 billion dollars in new agreements.

India has often been compared to an elephant and China with a dragon- at 8 per cent per year India’s economic growth rate is coming close to the 10 per cent level achieved by China and I believe that if today’s competitor becomes tomorrow’s collaborator, this will be good for humankind as a whole.

4. CONCLUSION

It is interesting the new moves these countries have made towards working together in multiple arenas. We are somewhat skeptical about that partnership being really deep and robust and holding out in the long term. The reason is this. If you think about what China imports from India, and what India can import from China, India can get low coast manufactured goods from China and China can get software and other intellectual capital from India.

REFERENCES

1. T.K. Bhaumik Economicst and International Trade Expert.
2. Velayudham. T.K. “Foreign Trade Theory & Practice”. Wheeler Publishing House. New delhi 1998, p-7
3. Bhalla V.K. “International Financial Management”, New Delhi, Anmol 2003.
4. Vibha Mathur, “India : Trade Policy and WTO 1991-2003” . New Century Publications. Delhi, p-15.
5. Verma, M.L., “Foreign Trade Management in India”. Vikas publishing House, New Delhi.