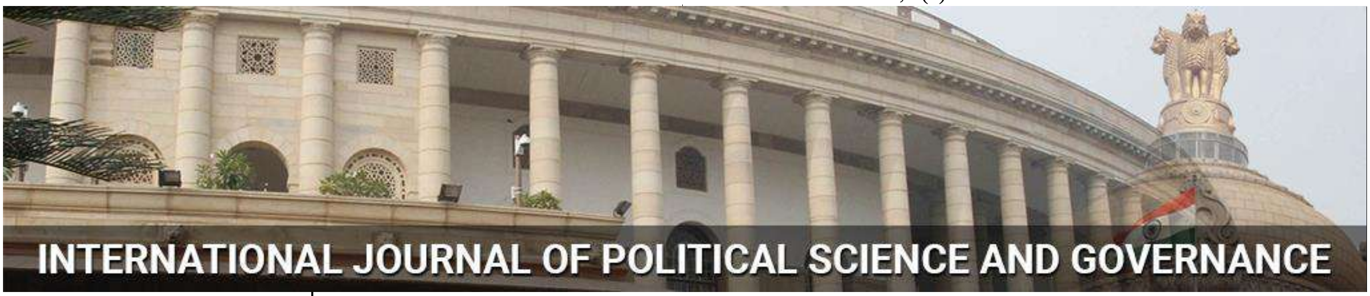

E-ISSN: 2664-603X
P-ISSN: 2664-6021
IJPSG 2020; 2(2): 10-14
Received: 09-05-2020
Accepted: 13-06-2020

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A study of India China trade relations

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Abstract
Indian-China bilateral trade has risen rapidly in the last two decades. In 2001 China was behind several countries, including Belgium and Singapore, as its share of India's total trade is concerned, China shared 3.5% of India's total trade, while the US shared 14.4%, the UK shared 5.1%, and Belgium shared 4.1% of India's total trade. However, trade has picked up dramatically in the last few years since Chinese became a WTO member. After 2008-09 China has emerged as India's largest trading partner. Since 2009 the trade situation has changed dramatically with a large rise in bilateral imports from India. Not only did China leap in its ranking among India's leading bilateral trade partners, it also sprinkled the Indian market with its exports, causing severe bilateral trade imbalance. It holds almost nine per cent of the total trade in India in 2012. Trade between India and China has been expected to cross US$ 60 billion in 2010 and up to US$ 125 billion in 2012. The projected target was nearly achieved in 2010, when trade reached US$ 61.7 billion. However, due mainly to the global economic slowdown, the projected goal was significantly under-reached to hit the amount of 66.4 billion in 2012. Bilateral trade grew by almost 14 times, from US$ 4.94 billion in 2002 to almost US$ 70.6 billion in 2014 and US$ 70.2 billion in 2016 (India Embassy 2017).

Keywords: Bilateral trade, India-china relation, trade pattern etc.

Introduction
India and China are the two oldest civilizations, the most populous nations and the fastest-growing economies in the world. For thousands of years, both countries co-existed peacefully except for twenty years from 1958-1978; when the two countries adopted a firm nationalist stance. On 1 April 1950 India and China formed diplomatic ties with one another. However, China and India fought a war in 1962 in 1954, the two countries jointly agreed on the Panchsheel (Five Principles of Peaceful Co-existence).

India is a free-expression democracy and China is a communist dictatorship with very little independence. They share a border which is 4,500 kilometres long, mostly between Northern India and Tibet. Much of this frontier runs along the Himalayas, creating a natural barrier between the two nations. Today, India is not influenced by the West, and on its own terms has formed a friendship and not as a counterweight to China. Mutual relationship and world politics have changed over the years, particularly since the end of the cold war. More understanding is provided that there is no alternative in a globalised world other than collaboration and reciprocal interdependence. India-China Relationship is one of the most important relations between two major powers, despite some gaps between the two countries. It's a remarkable accomplishment since the War of 1962. Boundaries between the two Countries remain peaceful except for occasional intrusions and this speaks of salience Building Measures of Trust (CBM) between the two countries. India and Ireland Together, China comprises 36.4 per cent of the world's population. So, they are very big Markets. Markets. Given that these two countries play a major role in the global economy, their economies its influence on the world economy is important. Still they vary greatly in the way they interact Template. Template. China's economy expanded with rising manufacturing investment Industry and increased foreign trade, while growth-led Indian economy is service Branch. China and India are and are the world's two biggest developing countries now the world's most prominent rising giants. From the Third China maintained a steady economic growth rate of about 10 per cent over the decade

Compared to seven per cent in India. Today, China number more than twelve. A proportion of all global exports, and has been the world's largest exporter. By comparison, India's foreign trade share at about one per cent of world exports is smaller than China's.

Nevertheless, in the last decade India's exports have risen rapidly. China is India's single largest trading partner. Trade between India and China has developed rapidly in the last few years. China's economy is the world's second largest, and continues to expand rapidly. India's evolving rapidly, too. Thus, the interaction between them contributes to mutual cooperation and helps grow one another.

Imbalance Bilateral Trade Patterns Between India China

Bilateral trade between India-China has grown rapidly in last two decades. In 2001 China was behind several countries including Belgium and Singapore as its share in the total trade of India is concerned, China shared 3.5 percent of India's total trade whereas the US shared 14.4 percent, the UK 5.1 percent and Belgium 4.1 percent of total India's trade. However, in the past few years" trade has picked up significantly after Chinese became a member of WTO. China has now emerged as the largest trade partner of India from 2008-09. The trade scenario changed significantly since 2009 with a sizable increase in India's bilateral imports. China not only jumped up in its ranking among India's lead bilateral trade partners but also splashed the Indian market with its exports, causing serious bilateral trade imbalances. It is sharing nearly nine percent of India's total trade in 2012. It was estimated that India-China trade will cross US$ 60 billion in 2010 and further to 125 billion in 2012. The expected target was almost achieved when trade reached US$61.7 billion in 2010. However, the expected target was significantly underachieved to touch the level of 66.4 billion in 2012 mainly due to global economic slowdown. Bilateral trade increased by nearly fourteen times, from US$ 4.94 billion in 2002 to nearly US$ 70.6 billion in 2014 and US$ 70.2 billion in 2016 (Embassy of India 2017).

The trade deficit kept increasing since 2002 from US$ 0.34 billion to US$ 20.1 billion in 2010 and further increased to US$ 46.6 billion in 2016. This huge trade imbalance has not been addressed from the last twelve years and presently it has reached a stage that it is very difficult to manage it. The trade deficit during the last few years has increased drastically specially during the period when world economy was at its peak. The trade deficit in 2012 was US$ 29.0 billion which has increased to US$ 44.8 billion in 2015.

Table 1.1: Bilateral Trade between India and China (in US $ Billions)

Year	India's Export to China	India's Import from China	Trade Deficit/Surplus	Total Trade
2000	1.35	1.56	0.21	2.91
2001	1.70	1.90	0.2	3.6
2002	2.27	2.67	0.34	4.94
2003	4.25	3.34	0.91	7.59
2004	7.67	5.93	1.74	13.6
2005	9.76	8.93	0.83	18.69
2006	10.27	14.58	4.31	24.85
2007	14.61	24.05	9.38	38.72
2008	20.3	31.6	11.3	51.9
2009	13.7	29.7	16.0	43.4
2010	20.8	40.9	20.1	61.7
2011	23.3	50.5	27.2	73.8
2012	18.7	47.7	29.0	66.46
2013	17.0	48.4	31.4	65.4
2014	16.4	54.2	37.8	70.6
2015	13.4	58.2	44.8	71.65
2016	11.8	58.4	46.6	70.2

Source: UN Commodity Trade Statistic

The bilateral trade between India and China is increasing at a fast pace has the same is true for the wide fiscal deficit. The trade deficit was US$ 0.34 billion in 2002 14 which has increased alarmingly to US$ 44.8 billion in 2015 and 46.6 billion in 2016. However, export of India to China was 1.35 billion in 2000 which has increased to 20.8 billion in 2010 and in 2016 reduced to 11.80 billion. The trade between India and China has reached a stage where it is significantly higher than the sum of bilateral trade of India with Norway, Brazil and Japan. The trade deficit has not been managed properly by the economic policies in recent times, resulting in severe imbalance even during global economic slowdown. (Mohanty, 2014).

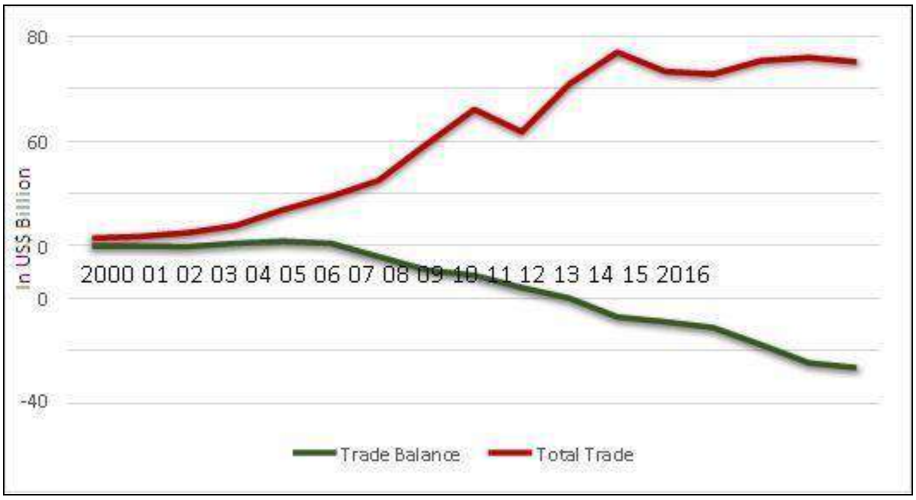

Fig 1.1: Bilateral Trade and Trade Deficit

China's Imports of Major Commodities from India and Major Partners

1. Machinery and Boilers (HS-84)

Machinery and boilers are the third largest items in China's import basket, amounting to US$ 180 billion in 2014but reducing to 147billion in 2016. China is also the world' second-largest importer of these items after the USA which imported machinery and boiler worth 315billion in 2016. The major sources of China's imports of these items are Japan, Germany, Republic of Korea, USA, Chinese Taipei, Thailand, Italy, and the Philippines, among others. While India"s global exports of these items amounted to US$ 13.6 billion in 2014 which was maintained in 2016 with global exports at 13.5billion. India's exports of these items to China amounted to a modest US$ 640 million in 2014 which reduced further to 520billion in 2016, accounting for a marginal 0.35 percent of China's global imports, increasing from US$ 224 million in 2000.

Table 1.2: China's Imports-Machinery and Boilers

Country	2014		2016	
	US$ (mn)	% Share	US$ (mn)	% Share
Total (Global)	179632	100	147,659	100
Germany	26425	14.7	17,783.60	12.0
Japan	30380	16.9	27,204.85	18.4
Rep. of Korea	17515	9.8	15,359.13	10.4
USA	16840	9.4	14,507.91	9.8
India	640	0.4	520.39	0.3

Source: UN Commodity Trade Statistic

2. Optical, Photo, Technical and Medical Apparatus (HS-90)

China imports of optical, photo, technical and medical apparatus, which are among its major import items, amounted to US$ 92.6 billion in 2016 up from US$ 50 billion in 2005. The major sources of China's imports of these items in 2016 are Republic of Korea, Chinese Taipei, Japan, US, and Germany. While India's global exports of these items amounted to US$ 2.6 billion in 2016, China's import of these items from India amounted to a modest US$ 177.16 million in 2016, accounting for a marginal 0.14 percent share of China's global Imports.

Table 1.3: China's Imports Optical, Photo, Technical and Medical Apparatus

Country	2014		2016	
	US$ (mn)	% Share	US$ (mn)	% Share
Total	105775	100	92689	100
Republic of Korea	22312	21.1	17364	18.73
Japan	16547	15.6	14287	15.4
USA	11387	10.8	11188	12.07
Germany	8639	8.2	8304	8.95
Singapore	1389	1.3	1539	1.65
India	132	0.1	177.6	0.14

Source: UN Commodity Trade Statistic

3. Vehicles other than Railway, Tramway (HS-87)

Transport vehicles other than railway and tramway are the sixth largest item in China's import basket, accounting US$ 89.5 billion in 2014 reducing to US$ 71.5billion in 2016. The major sources for China include Germany, Japan, USA, UK, Republic of Korea, Slovakia, and Mexico. China's imports from countries such as UK, Slovakia, Mexico, Belgium have shown a substantial increase over the last decade. India's export of these items to China have risen from US$ 9 million in 2005 to US$ 78 million in 2014, accounting for a marginal of 0.1 percent share of China's import, however in recent times it has seen a gradual decline to US$ 59.47 million in 2016. India's global export of these items stood at US$ 14.98 billion in 2016 global market.

Table 1.4: China's Imports-Vehicles other than Railway, Tramway

Country	2014		2016	
	US$ (mn)	% Share	US$ (mn)	% Share
Total (Global)	89,509.49	100	71,506.00	100
Germany	27,400.47	30.61	20,117.79	28.13
Japan	13,845.62	15.46	13,845.62	19.36
USA	13,983.52	15.62	13,983.52	19.55
UK	10,481.97	11.71	6,483.07	9.06
Korea	5,713.21	6.38	4,457.40	6.23
India	77.91	0.08	59.47	0.08

Source: UN Commodity Trade Statistic

4. Plastics and Articles (HS-39)

Plastic and articles are the seventh largest item in China's import basket, with total imports US$ 75.2 billion in 2014.which fell to 61.05 billion in 2016.Major suppliers of these items to China are Republic of Korea, Chinese Taipei, and Japan, which together accounted for 43 percent of China's global imports of the product in 2016. USA, Singapore, Saudi Arabia, Thailand, Germany are among the leading suppliers to China. India's exports of these items to China have witnessed a modest growth from US$ 420 million in 2005 to US$ 500 million in 2014; however this growth was short-lived as exports of this item again fell to 269 million in 2016 accounting for a marginal share of 0.45 percent of China's total imports.

Table 1.5: China's Imports-Plastics and Article

Country	2014		2016	
	US$ (mn)	% Share	US$ (mn)	% Share
Total	75190	100	61,049	100
Japan	9985	13.2796	8,740	14.31
Rep. of Korea	12450	16.55848	10,163	16.64
Singapore	4212	5.601864	3,113	5.09
Thailand	3854	5.125897	3,000	4.91
USA	6812	9.059593	6,085	9.96
India	500	0.66455	269	0.44

Source: UN Commodity Trade Statistic

5. Oil Seed, Oleagic Fruits, Grain, Seed, Fruit (HS-12)

China's imports of oil seed, oleagic fruits, grain, seed, fruit amounted to US$ 45.9 billion in 2014 up from US$ 8.2 billion in 2005but then reducing US$ 38.3 billion in 2016. Major suppliers of these items to China are primarily Brazil and USA which together accounted for as much as 77 percent of China's global import. Other major suppliers include Argentina, Canada, Uruguay, and Ethiopia, among others. India's exports of these items to China have risen from US$ 13 million in 2005 to US$ 36 million in 2016, with a marginal share of 0.1 percent of China's total imports.

Table 1.6: China's Imports-Oil Seeds, Oleagic Fruits, Grain, Seed, Fruit

	2014		2016	
Country	US$ (mn)	% Share	US$ (mn)	% Share
World	45,888	100	38,295	100
Argentina	3,371	7.345552	3,274	8.54
Brazil	18,724	40.80444	15,552	40.61
India	63	0.136818	36	0.095
Uruguay	1,367	2.979455	692	1.80
Ethiopia	405	0.883044	335	0.87
India	63	0.136818	36	0.09

Source: UN Commodity Trade Statistic

6. Iron and Steel (HS-72)

Major suppliers for China's import of iron and steel which amounted to US$ 16.9 billion in 2016, include Japan and Republic of Korea, which accounts for around 57 percent of China's global imports of these products. Other major sources for China include Chinese Taipei, South Africa, Germany, Brazil, Sweden and Kazakhstan, among others. India's exports of these items to China have witnessed a sharp fall from US$ 878 million in 2005 to US$ 174 million in 2016, resulting in India's share in China's imports falling from 3.3 percent in 2005 to a marginal 1 percent in 2016 (KPMG 2016).

Table 1.7: China's Imports-Iron and Steel

Country	2014		2016	
	US$ (mn)	% Share	US$ (mn)	% Share
World	21,167	100	16,918	100
Japan	7,6	36.28	5,139	30.37
Germany	1,036	4.89	739	4.36
Korea	4,314	20.38	3,351	19.80
Brazil	618	2.92	540	3.19
South Africa	1,312	6.19	1,428	8.44
India	207	0.97	174	1.02

Source: UN Commodity Trade Statistic

Conclusion

Indian companies are not efficient enough, due mainly to lack of sufficient social and physical infrastructure due to systemic limitations. Indian exports to China include manufactured goods and consumer products; whereas Chinese exports to India include industrial products, mostly energy-equipment, telecom product lines, and a wide range of high-tech products. India must focus on highly direction of the current intense product export. The deep structural issues in India's manufacturing industry are willing to take responsibility for under investment. India could learn from China's development understanding, whereby the State had focused on large investments in health and education as also in 32 infrastructure development. Additionally, in the present situation, State-owned enterprises of China are identifying new areas of investment like biotechnology, renewable energy sources etc. There is some lack of coordination between government and industry in India. In addition there are huge opportunities for collaboration between China and India. On the one hand, China is known as the factory of the world, and on the other, India is trying to enhance its manufacturing sector under numerous programmes. This clearly points to the huge potential for joint ventures in the areas of green field investments, technology and SMEs. India is a developing market and it presents a good opportunity for the Chinese economy which can use the potential of Indian market particularly at a time of global economic down trend. Investments from China to India has increased, though there is more opportunity however bigger investments have taken place in e-commerce companies. There has also been a rise in micro investments from the Chinese Small and Medium Enterprises (SMEs) which are looking to leverage the Indian market and ultimately start exporting from India. As the Chinese SMEs are losing competiveness advantages in China, they are looking to inverse the trend of decreasing profits by exploring new markets. Chinese companies are going global now with initiatives like „ Go Global" and „ One Belt One Road". China is also considering investing in new fields such as finance technology and biotechnology. These are the places where investment opportunities easily open up. A comprehensive strategy for dealing with China is also needed for both the Indian private and public sectors, as well as the government. This is because China acts as a structure in which both government and industry operate together. On the other hand, Indian companies are more competitive than cooperative with each other and government is not directly involved or in regulatory mode. Because of this, Indian businesses in the West are more relaxed and profitable but they have not spent enough time and energy to consider an even bigger market like China. Which requires a large-scale joint effort between industry and government. The current unbalanced and unsustainable trade between India and China is due to the lack of centred cooperation within both government and industry that cannot be completely charged on political differences or geopolitics, and therefore lack of preparedness. India has not got as many goods for China to sell. India isn't actually China's major export partner. Awareness on where India's comparative advantage lies is urgently needed. One choice might be to set up a task force to closely monitor the policy, agenda, and actions of China and coordinate between government and business (Rajan 2015). Regional organisations and trade blocs play a significant role in the emerging economically interdependent world scenario. In order to create a new and harmonised set of regulations, India has an opportunity to explore alternative trade agreements with China. India can exploit state capacity and competitive regulations from the Chinese state. Moreover, there are lessons to be learned from the economic and political relationship between China and Japan that has evolved amid many political and historical issues. High levels of trade and investment, huge numbers of student exchanges and ever-increasing numbers of visitors have gone hand in hand with the political differences. The vibrant economic relationships also can coexist with poor political ties. Chinese investment in India's infrastructure sector is of tremendous scope, especially in the industrial corridor. India relies heavily on the assistance from Japan and other countries provided by ODI (Overseas Direct Investment). China should move into this, and restore to productive use the confidence deficit. The 2016-17 Indian budget figures cut in manufacturing import duties on raw materials and intermediate products, particularly consumer goods, durables, and electronics. This represents an immense opportunity for China to export to India. Many Chinese firms have the ability to bring in investment and develop bases in India. This will fix the enormous trade deficit, and also build export opportunities to third countries. Vietnam has gone down a similar path. But India needed to adjust that on the ground in order to draw Chinese investment.

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