



An Analysis of Trade Relations Between India-China

**Prof . V.
Balakrishnama
Naidu**

Professor & Head, Department of Econometrics, S. V. University, Tirupati-517 502.

Dr. P. Surya Kumar

Academic Consultant, Department of Econometrics, S. V. University, Tirupati-517 502.

ABSTRACT

In this paper analysed trade relations between India and China. India has already been the top trading partner of China in the recent time. The share of Indian exports to China were noted 3.39 per cent in 1990-91, this exports share was picked up to 10.17 per cent in 2011-12. During this period the growth were registered 28.5 per cent per annum respectively. Imports from China share accounted 0.82 per cent in 1990-91 of the Indian total imports, this share raised to 4.66 per cent in 2000-01, and further this imports share reached to 13.94 in 2011-12. During this period the growth were registered 28.5 per cent per annum respectively.

KEYWORDS: India-China, Historical relations, Trade relations.

Introduction

The international economic relations between two countries depend on a number of factors like the import-export relations, investment between two countries and the like. Trade is an important factor in this context. In the modern day economic scenario globalization has played an important role in determining the international economic relationship between two or more countries. Prior to this phenomenon there were several countries that had erected trade barriers in the form of oppressive foreign trade legislations and tax policies that were not exactly in favor of attracting foreign direct investment from other countries.

In the era of globalization there have been major changes in the economic relationships between the various countries of the world. The World Trade Organization has worked in conjunction with the governments of several countries to lift trade barriers and bring about a better economic environment. This has led to the creation of several free trade zones all around the world. As a result of the creation of the free trade zones it has been possible to promote free trade on a global basis. The international economic relation section is simply a country's participation in the field of trade and investment with other countries of the world.

India has important and strong economic relations with many countries in the world. Traditionally India has maintained trade relations with various countries. After the economic reforms of the early nineties, the Indian economy was opened up to further bilateral trade relations with various countries and to Foreign Direct Investment (FDI). Import restrictions on many items were lifted which led to expansion of India's economic relations with other nations.

In view of the importance of International trade relations, the present paper analyse historical relations between India and China and trade relations between India-China during the period of 1990-91 to 2011-12.

History of economic relations India-China

A Sino-Indian relation, also called Indo-China relations, refers to the bilateral relationship between the People's Republic of China (PRC) and the Republic of India. Relations began in 1950 when India was among the first countries to break relations with the Republic of China on Taiwan and recognize the PRC. China and India are the world's most populous countries and also fastest growing major economies. The resultant growth in China and India's global diplomatic and economic influence has also increased the significance of their bilateral relationship.

China and India are two of the world's oldest civilizations and

have coexisted in peace for millennia. Cultural and economic relations between China and India date back to ancient times. The Silk Road not only served as a major trade route between India and China, but is also credited for facilitating the spread of Buddhism from India to East Asia. During the 19th century, China's growing opium trade with the British Raj triggered the Opium Wars. Relations between contemporary China and India have been characterized by border disputes, resulting in three major military conflicts. The Sino-Indian War of 1962, the Chola incident in 1967, and the 1987 Sino-Indian skirmish. However, since late 1980s, both countries have successfully attempted to reignite diplomatic and economic ties. In 2008, China emerged as the largest trading partner of India and the two countries have also attempted to extend their strategic and military relations.

Despite growing economic and strategic ties, several issues continue to strain Sino-Indian relations. Though bilateral trade has continuously grown, India faces massive trade imbalance heavily in favor of China. The two countries have failed to resolve their long-standing border dispute and Indian media outlets repeatedly report Chinese military incursions into Indian Territory. Both nations have steadily built-up military infrastructure along border areas. Additionally, India harbors suspicions about China's strong strategic relations with its arch-rival Pakistan while China has expressed concerns about Indian military and economic activities in disputed South China Sea.

Recently, China has said that "Sino-Indian ties" would be the most "important bilateral partnership of the century". On June 21, 2012, Wen Jiabao, the Premier of China and Manmohan Singh, the Prime Minister of India set a goal to increase bilateral trade between the two countries to 100 billion dollars by 2015

With the growth in bilateral trade between India and China in the last few years, many Indian companies have started setting up Chinese operations to service both their Indian and MNC clientele in China. Indian enterprises operating in China either as representative offices, Wholly Owned Foreign Enterprises or Joint Ventures with Chinese companies are into manufacturing, IT and IT enabled services, trading, banking and allied activities. Most of the Indian companies have a presence in Shanghai, which is China's financial center; while a few Indian companies have set up offices in the capital city of Beijing.

According to information available with the Embassy of India, close to 100 Chinese companies was established in India. Many large Chinese state-owned companies in the field of machinery and infrastructure construction have won projects in India and have opened project offices in India. Many Chinese electronic, IT

and hardware manufacturing companies also have operations in India. These include Huawei Technologies, ZTE, TCL, Haier etc. A large number of Chinese companies are involved in EPC projects in the Power Sector. Chinese automobile major Beijing Automotive Industry Corporation (BAIC) has recently announced plans to invest US\$ 250 million in an auto plant in Pune.

Trade relations between India-China

India has already been the top trading partner of China in the recent time. The economic relation between the two countries is considered to be one of the most significant bilateral relations in the contemporary global economic scenario and this trend is expected to continue in the years to come.

China is the single largest trading partner of India. Major imports from China include electronic goods, coal, coke, briquettes, organic chemicals, machinery and medicinal & pharmaceuticals products. Imports from China share accounted 0.82 per cent in 1990-91 of the Indian total imports, this share has risen to 4.66 per cent in 2000-01, and further this imports share picked up to 13.94 in 2011-12. In terms of value imports from China were worth US\$ 196.6 million in 1990-91, this imports value raised to US\$ 68248.6 million in 2011-12. During this period the growth were registered 28.5 per cent per annum respectively.

Table-1: represents trade relations between India and China in terms of value and percentage share.

Year	India Imports From China	India Total Imports	% share of Total Indian Imports	India Exports to China	India Total Exports	% Share of Total Indian Exports
1990-91	196.6	24072.5	0.82	614.7	18145.2	3.39
1991-92	127.1	19410.5	0.65	662.5	17865.4	3.71
1992-93	296.4	21881.6	1.35	906.3	18537.2	4.89
1993-94	490.7	23306.2	2.11	1528.7	22238.3	6.87
1994-95	1047.8	28654.4	3.66	1771.6	26330.5	6.73
1995-96	1200.0	36675.3	3.27	2154.1	31794.9	6.77
1996-97	1076.0	39132.4	2.75	2477.4	33469.7	7.40
1997-98	1435.6	41484.5	3.46	2650.1	35006.4	7.57
1998-99	1546.0	42388.7	3.65	2307.8	33218.7	6.95
1999-00	2104.6	49670.7	4.24	3049.7	36822.4	8.28
2000-01	2354.3	50536.5	4.66	3472.2	44560.3	7.79
2001-02	2765.3	51413.3	5.38	3318.4	43826.7	7.57
2002-03	3764.6	61412.1	6.13	4588.8	52719.4	8.70
2003-04	5545.9	78149.1	7.10	6216.9	63842.6	9.74
2004-05	8828.1	111517.4	7.92	9307.7	83535.9	11.14
2005-06	13075.0	149165.7	8.77	11230.4	103090.5	10.89
2006-07	19944.4	185735.2	10.74	12974.5	126414.1	10.26
2007-08	29801.6	251439.2	11.85	17134.0	162904.2	10.52
2008-09	38557.4	303696.3	12.70	15883.2	185295.0	8.57
2009-10	35487.7	288372.9	12.31	19394.6	178751.4	10.85
2010-11	52873.3	369769.1	14.30	25778.2	251136.2	10.26
2011-12	68248.6	489417.4	13.94	30980.3	304623.5	10.17

Note: Data for 2010-11 are revised and for 2011-12 are provisional.
Source: Directorate General of Commercial Intelligence and Statistics.

Indian Exports to China is an integral part of the bilateral trade relations between the two Asian countries, India and China. The principal items of Indian exports to China comprise of ores, slag and ash, iron and steel, plastics, organic chemicals, and cotton. In order to increase the extent of exporting Indian goods to China, however, there should be a special emphasis on investments and trade in services and knowledge-based sectors. In terms of value India exports to China were worth US\$ 614.7 million in 1990-91, this exports value has raised to US \$ 30980.3 million in 2011-12. During this period the Indian exports to China growth were registered 17.8 per cent per annum respectively. The share of Indian exports to China were noted 3.39 per cent in 1990-91, this exports share was picked up to 10.17 per cent in 2011-12.

Table-2: represents Growth and Consistency analysis of Exports and Imports between India-China.

Exports Growth					
	Mean	CV	ACGR	R2-val	t-value
1990-91 to 1999-00	1812.29	47.5982	18.2	0.885	7.8463
2000-01 to 2011-12	13356.6	66.5598	20.7	0.969	17.6799
1990-91 to 2011-12	8109.186	107.741	17.8	0.976	28.519
Imports Growth					
	Mean	CV	ACGR	R2-val	t-value
1990-91 to 1999-00	952.08	69.09651	29.8	0.875	7.4833
2000-01 to 2011-12	23437.18	92.7756	32.5	0.978	21.0843
1990-91 to 2011-12	13216.68	147.3297	28.5	0.976	28.519

Source: Author calculation, CV-Coefficient of Variation
ACGR-Annual Compound Growth Rate

Conclusion

China is the single largest trading partner of India. India exports to China were worth US \$ 614.7 million in 1990-91, this exports value has raised to US \$ 30980.3 million in 2011-12. During this period the Indian exports to China growth were registered 17.8 per cent per annum respectively. Imports from China were worth US \$ 196.6 million in 1990-91, this imports value raised to US \$ 68248.6 million in 2011-12. During this period the growth were registered 28.5 per cent per annum respectively. Imports from China to India exceed to Indian exports to China. Indian try to maintain equalize trade to China in future. India and China are exemplars of the changes brought on by globalization. They are two of the fastest growing economies in the world and possess two of the largest domestic markets by number of consumers. However, continued liberalization, when done strategically and carefully, may be an important source for maintaining prolonged economic growth.

REFERENCES

1. India today (2011)"India, China to restore defence co-operation : Neighbours, News - India Today". Indiatoday.intoday.in. 2011-04-13. Retrieved 2012-08-03.
2. Times of India (2012) "2011: India, China solve stapled visa issue; put off border talks". The Times Of India. 23 December 2011.
3. Economic Times (2012),"India to reach US\$100 billion dollar trade with China by 2015". Economic Times. 9 February 2012.
4. Times of India (2012)"More Chinese investments in India soon". The Times of India. 30 March 2012.
5. Hu Jintao, (2012) "China wants to deepen strategic cooperation with India: Hu Jintao". The Times Of India. 30 March 2012.
6. Nelson, Dean (2012), "China warns India of arrogance over missile launch." The Telegraph. April 20, 2012.
7. Cable, Vincent(1995), "China and India- Economic Reform and Global Integration", The Royal Institute of International Affairs, 1995.
8. Bajpai, Nirupam (1996), "Economic Crisis, Structural Reforms, and the Prospects of Growth in India", Development Discussion Paper No. 530, Harvard Institute for International Development, May 1996.
9. Adams, F.G., B. Gangnes, and Y. Shachmurov (2006). "Why is China so competitive?-Measuring and explaining China's competitiveness". The World Economy, vol. 29, No. 2, pp. 95-122.