



GROWTH AND CONSEQUENCE OF INDO-CHINA BILATERAL TRADE ON INDIAN ECONOMIC GROWTH

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ABSTRACT

Among the global players India and china are the faster growing economic. Both these countries have an important role to play in world economy. Today china is ranking top 3 partners of India and china. India is in to 10th partner in trading with an increase in two way trade, the trade deficit increased exponentially, and bilateral trade imbalance caused concern about the sustainability of rising bilateral trade over a time. This paper is attempted to study the structure of indo- china bilateral trade balance and its impact on India's balance of payments. The study found the inadequate exports in trade balance and a significant effect imposed by bilateral trade on balance of payments.

KEYWORDS : Global players, Bilateral Trade and Balance of Payments. Economic growth.

Introduction:

China has emerged as India's largest trading partner after it replaced the United States over the past years. When India initiated its comprehensive reforms in 1991, the level of bilateral trade between the two countries was insignificant as the trade basket was restricted to a limited number of products. However within a short period, china has become India's single most important trading partner even though India's bilateral trade deficit with china reached an unsustainable level over the years. India has a large export potential in china, and it could emerge as a competitive supplier in the Chinese market, based on its global competitiveness. India is yet to introduce a number of products, which are globally competitive in the Chinese market. Having a large domestic market in value chain in a number of sectors, including the parts and complement china as an efficient partner in this sector and could be more competitive than several south east Asian economies upon whom china is seriously dependent for intermediate input suppliers. As china emerges as the largest trading partner of India. There are many bilateral issues that require close scrutiny. India's bilateral trade gap is increasing along with its overall trade gap with the rest of the world. It is important to examine to what extent this bilateral trade imbalance is contributing to the overall trade imbalance of India. An important change for making policy is the need to sustain the present level of trade between the two countries while narrowing the existing bilateral trade gap.

Problem Statement:

India and china both their combined population 36 percent of world total they are yet to reclaim their lost position. During the last decade, exports of India to china grew at the rate of 30.1 percent per annum, and formed nearly 5.0 percent of the total exports of India in 2012. With increase in size of both countries their bilateral trade as also increased nearly \$ 72 billion in 2012. This holds immense significance as how two Asian giants interact with each other, both Asian giants have been growing consistently at a higher rate. While china managed to grow in double digit for more than three decade, India accelerated in the last decade. Indian embassy in china says that in 2012, India was the 15th largest trading partner of china with the share of 1.72% in china's overall trade, 7th largest export destination for china, comprising a share of 2.33% of overall imports by china. China occupies its play among top three nations of india's trade and contributing further to the economics of the nation. Thus bilateral trade helps the economic development.

Literature Evolution:

Mohanty S.K (2014), in the study prepared for Reserve Bank of India found that both the countries have resorted to rapid trade liberalization, mostly induced by unilateral initiative to cope with the global trading environment. Both countries witness regional disparity in having access to international trade and this development gap. He further suggested that china has become the leading trade partner for India with an increase in two-way trade, the trade deficit increased exponentially, and bilateral trade imbalance caused concern about

concern about the sustainability of rising bilateral trade over a time.

Asian Choudhary and Sabiha khatoun (2012), suggested that the segmentation of global manufacturing and services provided china and subsequently India with a golden opportunity to make full use of their absolute advantage – low cost yet educated labour-to integrate into the world economy within comparatively shorter period of time than some earlier industrialists. They further propounded that to maintain more broad-based, fast and balanced growth, it seems that both countries have to redress sectorial imbalance, encourage technology up gradation and cope with future changes in demographic profiles which constituted a trigger to economic growth at the time of their respective economic reform.

Objectives of the study:

The objectives of the study are:

- To identify the composition of trade balance of Indo-China bilateral trade.
- To examine the impact of Indo-China Bilateral Trade on Economic Growth of India

Scope of the study:

It does not cover the impact of respective bilateral trade on china's economy and other economic aspects such as cost benefit analysis.

Methodology for the study:

Sources of data:

The study is based on secondary data and the reliable data for the study has been compiled from the ministry of commerce, India.

Period of study:

The study period is 10 years, from 2005-2006 to 2014-2015.

Limitations of the study:

The major limitations of the study are;

The study is made only in consideration with Indo-china bilateral trade and not applicable to any other bilateral to any other bilateral or multilateral trade activities.

Analysis and interpretation:

The import trade for India from china has been revealed in the table 1

Table 1
India's import from china during the period from 2012-2013 to 2016-2017 (In INR lakhs)

Year	Total imports	Imports from china	%share
2012-2013	234,546,234.45	26,546,561.90	11.3183
2013-2014	266,916,195.69	28,438,458.52	10.6545
2014-2015	271,543,390.74	30,923,495.99	11.388
2015-2016	249,029,808.12	40,404,338.49	16.225
2016-2017	257,742,165.86	41,112,449.69	15.951

Source: Ministry of Commerce, India

The table 1 indicates India's import from china and India's overall imports during the period from 2005-2006 to 2014-2015. The import from china as well as overall import of India has been on increasing trend and the share of import from china to overall imports of India.

The India's export to china has been represented in the table 2

Table 2
India's export to china during the period from 2012-2013 to 2016-2017 (in INR lakhs)

Year	Total Exports	Exports to china	% share
2012-2013	146,595,939.96	8,747,082.09	5.9668
2013-2014	163,431,883.77	7,352,956.23	4.4991
2014-2015	190,501,108.86	9,056,108.68	4.7538
2015-2016	171,637,804.58	5,893,270.60	3.4335
2016-2017	185,233,966.26	6,841,753.05	3.5936

Source: Ministry of Commerce, India

The table 2 presents India's export from china and India's overall exports during the period from 2005-2006 to 2014-2015. The export value of India is contributed significantly by export to china, which has been increasing considerably during the study period.

The Indo-china bilateral trade balance has been depicted in the table 3

Table 3
Trade balance of Indo- china bilateral trade during the period from 2012-2013 to 2016-2017 (In INR Crores)

Year	Rank	Export	Import	Total Trade	Trade Balance
2012-2013	1	87,470.82	265,465.62	352,936.44	-177,994.80
2013-2014	2	73,529.56	284,384.59	357,914.15	-210,855.02
2014-2015	1	90,561.09	309,234.96	399,796.05	-218,673.87
2015-2016	2	58,932.71	404,043.38	462,976.09	-345,110.67
2016-2017	1	68,417.53	411,124.50	479,542.03	-342,706.97

Source: Ministry of Commerce, India

The table 3 represents the Indo- china trade balance and the rank occupied by china in India's trade during the study period from 2005-2006 to 2014-2015. The trade balance was ever negative with high imports than exports in the bilateral trade. It shows the significant trade relationship between India and china.

Table 3
Regression Analysis of Impact of Indo-China Bilateral Trade and Economic Growth in India

H₀₁: Indo-China Bilateral trade has no impact on Economic Growth in India.

Variable	Coefficient	Std.Error	t -Statistic	Prob.
ICB	-8.0969	1.0102	-2.3588	0.0020
C	-4.0838	1.0080	-2.7336	0.0032
R-Squared	0.3925		Durbin-Watson stat	1.8229
Adjusted R-squared	0.6908			
F-statistic	7.9852		Prob (F-statistic)	0.0001

Source: Calculated and Compiled from Ministry of Commerce, India. The above table 4 shows the regression analysis between Indo-China Bilateral Trade and Economic Growth for the period 2012-13 to 2016-17. The analysis placed Economic Growth as dependent variable and Indo-China Bilateral trade as independent variable. The analysis shows (R² = 0.3925), which states that the Indo-China Bilateral trade contributed significantly for the changes to Economic Growth in India. It can be inferred from the table that Adjusted R-square value is 0.6908. This indicates that 69 percent of the variations in the Economic growth are explained by Indo-china Bilateral Trade. The F-statistic is significant at all levels indicating that the hypothesized relationship between the Indo-China Bilateral Trade and Economic Growth is validated. The value of Durbin-Watson statistic is 1.8229 indicating that the model is not suffering from auto correlation problem. The calculated F value is more than the table value and hence, the null

hypothesis is rejected and there is a significant effect by Indo-China Bilateral Trade on Economic Growth in India.

Suggestions:

The suggestions based on findings are:

- For a favorable bilateral trade balance, the exports can be improved more than imports.
- The bilateral trade can further be improved through uninterrupted interactions by exchange of delegations and improved participation in trade affairs by both nations.
- Since, India has the potential to meet out the domestic demand of China; the steps can be further improved to expand Indian participation in Chinese market.
- India is better in service sector where China in Infrastructure, which can be exchanged through trade affairs to attain benefits.
- India occupies a considerable place in global Software export, which can be exported to a better extent to China for hardware from China.

Despite having seasonal boundary wars amongst the nations, trade can be strengthened by setting up a committee on bilateral trade of India and China

Conclusion:

Thus, the bilateral trade of India and china has posed a significant effect on India's balance of payments. The Indo-china trade relationship took an impressive turn during the last decade as china gradually ascended to become the largest trading partner of India leading united states. However, both countries have aimed at achieving the trade of US\$100 billion by 2015. As external sector is turning to be a major driver of growth during the last decade, both the economics have been dealing with appropriate development strategies to keep their economics on high growth trajectory.

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