



IMPACT OF COVID-19 PANDEMIC ON INDO-CHINA TRADE RELATIONS

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Abstract: In this age of globalisation, liberalisation and e-governance, India needs to be cautious of the travesties of global trade and its implications on economy. Our country wants to become Atmanirbhar or self reliant to realize goal of attaining US10\$ trillion economy by 2035. Several endeavours are being taken in this regard to sell Indian goods and services by exploring new foreign markets. But various tariff and non tariff barriers are raised on the ground that the Indian companies violate human rights or are not eco friendly. The objection ranges from the quality of the goods to the environment to human rights. Even in the allegedly globalised world of twenty first century, allies and adversaries are classified on the basis of trade. Covid-19 pandemic shattered the economies of almost all countries of the world. The World Bank cut its growth outlook for China and India for the current year as 4.3% and 6.9% respectively. The downgraded estimates would mark the third weakest pace of growth in nearly three decades, overshadowed only by the global recession caused by the pandemic and global financial crisis. Historically India and China had led global economy for around 1600 years. Emerging China and rising India are going to play decisive role in prospective global economy. India's bilateral trade with China reached a record \$ 135.98 billion in 2022. Exports to China however fell in the previous year, driving an already significant trade deficit beyond \$100 billion mark for the first time. Therefore, an attempt has been made in this study to analyse bilateral trade between India and China in the backdrop of situations arising owing to pandemic and global economic slowdown.

Keywords- Globalisation, Economic slowdown, Pandemic, E-governance, Bilateral trade, Atmanirbhar

1. Introduction

Indian foreign policy has gone through various phases. Cold War ended with the disintegration of Socialist bloc and Soviet Union itself in 1991. Economic globalization gathered speed in the early 1990s. New technologies of information, communication and transportation facilitated globalization of National economies. India also launched liberalization of its economy in 1991. These global and national-level changes demanded that India get out of the old ways of thinking and doing things; and adopt a foreign policy that served its national interest. There was demand for greater activism and contributions to global governance. The outcomes of global and national changes of the past three decades are clear; India has risen in global affairs as a contributor and a leader. Indian economy has registered high and sustained growth rates for more than 25 years. Today it is one of the most dynamic and fastest growing economies in the world. The country's leadership is acknowledged in areas such as climate change, fight against terrorism and religious militancy, non- proliferation, disaster management and reforms in global governance.

One important change that has come about is the relative decline of the U.S. and the west in general and the rise of China and Asia in general. More so in the past one decade, the trend towards multipolarity has become prominent. Multipolarity is being made possible by the rise of emerging powers. Powers such as Brazil, Russia, India, China and South Africa that have come under the BRICS banner are pushing for a multipolar order. BRICS grouping signifies the geopolitical shift in the global balance of power. It has come on the back of economic and technological shifts from West to the East. The present century, it is concurred, is the "Asian Century". Rise of China, others East Asian economies, India and South East Asia in economic and strategic terms is irreversible. Liberal international order is required to adjust to these tectonics shifts in global politics and economy. Reforms in the institutions of global governance therefore cannot be postponed any further; and India remains a vocal leader calling for these reforms. India is a reformer; it is not a revolutionary power. India does not want an overhaul or overthrow of the existing global order. It wants the global order to become democratic – open and inclusive. It demands more say and its own membership in institutions of global governance – UN Security Council, International Monetary Fund, Nuclear Suppliers Group, etc. Indian foreign policy has been critical of new norms that have been promoted by Western powers – 'humanitarian intervention', 'democracy promotion' and regime change in the name of international "Responsibility to Protect" (R2P). India and other rising powers uphold norms of respect for national sovereignty, territorial integrity and freedom to choose the development path.

India is at the centre of action on climate change, terrorism and radicalism, and reforms of the international institutions of governance. India has limited capability; yet the 'rising' power is redefining its engagement with the globalizing world. The immediate neighbourhood of South Asia and Indian Ocean draws most of India's strategic attention and resources. South Asia is its natural habitat. Priorities in neighbourhood and resource constraints might make India confine itself to the world of Indo-Pacific and South Asia. Be that as it may, the world of Indian foreign policy remains ever changing. As India changes, it would also significantly change the globalizing world.

India and China are civilization nations. The two nations share more than 5000 years of unbroken history, cultural and economic exchanges over millennia, and have been among the main sources of world's heritage and culture. Separated by the Himalayas, they share a 3488 kilometres long border. The two countries share a border with Bhutan and Nepal. India maintains that Aksai Chin is illegally occupied by the PRC. China and India also dispute most of Arunachal Pradesh. Nevertheless, both countries have agreed to respect the Line of Actual Control (LAC). Though the relationship has been generally cordial, there are border disputes and an economic rivalry between them that have sometimes led to strained relations. The modern relationship began in 1950 when India decided to end formal ties with the Republic of China (Taiwan) and recognized the PRC as the legitimate government. China and India are the two highly populated and fast growing significant economies in the world. Improvement in quality of diplomatic and economic influence has only increased the significance of their bilateral relationship.

Cultural and economic relations between China and India began centuries ago. Spread of Buddhism and trade was facilitated through the Silk Route. China's growing opium trade with the East India Company during the 19th century led to I and II Opium Wars. Both India and China played a crucial role in checking the military expansion of imperial Japan during the II World war.

Jawaharlal Nehru based his vision of "resurgent Asia" on friendship between India and China. He initially believed his vision of an internationalist foreign policy governed by the ethics of the Panchsheel (five principles of peaceful coexistence), was shared by China. Nehru was disappointed when it became clear that the two countries had a conflict of interest in Tibet.

Most noticeable features of relations between India and China since world war II are border issue that caused three military disputes- the Sino-Indian war of 1962, the Chola incident in 1967, and the 1987 Sino-Indian skirmish. In 1979, Chinese leader Deng Xiaoping initiated economic liberalization programme in China, which led to China's robust economic growth of nearly 10 per cent for the next three decades. China has emerged as an economic powerhouse in the world. China replaced Japan as the second largest global economy in 2010. Meanwhile India also launched her economic liberalization programme in 1991, which spurred India's economic growth to 7-8 per cent for next two decades. India too is counted as a rising economic power now. India is the fourth largest global economy after the US, China and Japan in terms of purchasing power parity. Emerging China and rising India are the core of 'Rise of Asia' thesis, but their differences on many new issues in the post cold war period are the most visible fault lines in the Asian landscapes. China is the second largest trading partner of India, but India feels uncomfortable with the rising trade deficit with China. It is estimated that out of total bilateral trade of US \$ 75 billion, India suffers the trade deficit of \$ 50 billion with China.

There was a clash at the Doklam in 2017 (the disputed Sino-Bhutanese border). Nevertheless, there is visible improvement in diplomatic and economic relations between the two countries since 1980s. China became India's largest trading partner in 2008. In recent years, there is also a noticeable extension of their strategic and military relations. Besides trade and commerce, there are other issues of mutual interest like climate change and reform of the global financial order, in which both countries are cooperating.

The two countries have not resolved their border disputes and India has experienced Chinese military incursions into Indian Territory. Both countries have steadily established military infrastructure along border areas. India remains concerned about China's strong strategic bilateral relation with the Pakistan. The trade and economic relationship between India and China has seen a rapid growth in the last few years. Trade volume between the two countries in 2000, stood at US\$ 3 billion. In 2008, the deficit reached US \$ 51.8 billion with China replacing the United States as India's largest trading partner. The world bank cut its growth outlook for China for 2023 from 5.2% to 4.3%, Japan from 1.3% to 1% and Europe and Central Asia from 1.5% to 0.1%. Growth rate FOR India is at 6.9% for 2022-23 has slowed to the extent that the Global economy is perilously close to falling into recession. The downgraded estimates would mark the third weakest pace of the growth in nearly three decades, over shadowed only by the global recession caused by the Covid 19 Pandemic and global financial crisis.

2.1 Need of the Study

India and China are among the oldest civilizations of the world with long history of interaction and relationship. They are the fastest growing economies of the world. Almost all economies across the world were adversely affected owing to onset of covid-19 pandemic. In this context both economies of India as well as China were also impacted. China is one of the major trading partner of our country. Hence impact of pandemic on Indo-China trade relations has been analysed in this paper in the wake of global recession arising from outbreak of covid-19.

2.2 Scope of the Study

The study is confined to analyse bilateral trade relations between India and China. The data for the period from 2011-12 to 2021-22 have been taken for research purpose. Pre Covid period covered prior to 2018-19 and remaining period treated as post Covid for analysis.

2.3 Objectives

- 1 To study bilateral trade.
- 2 To analyse balance of trade.
- 3 To take stock of composition of trade.

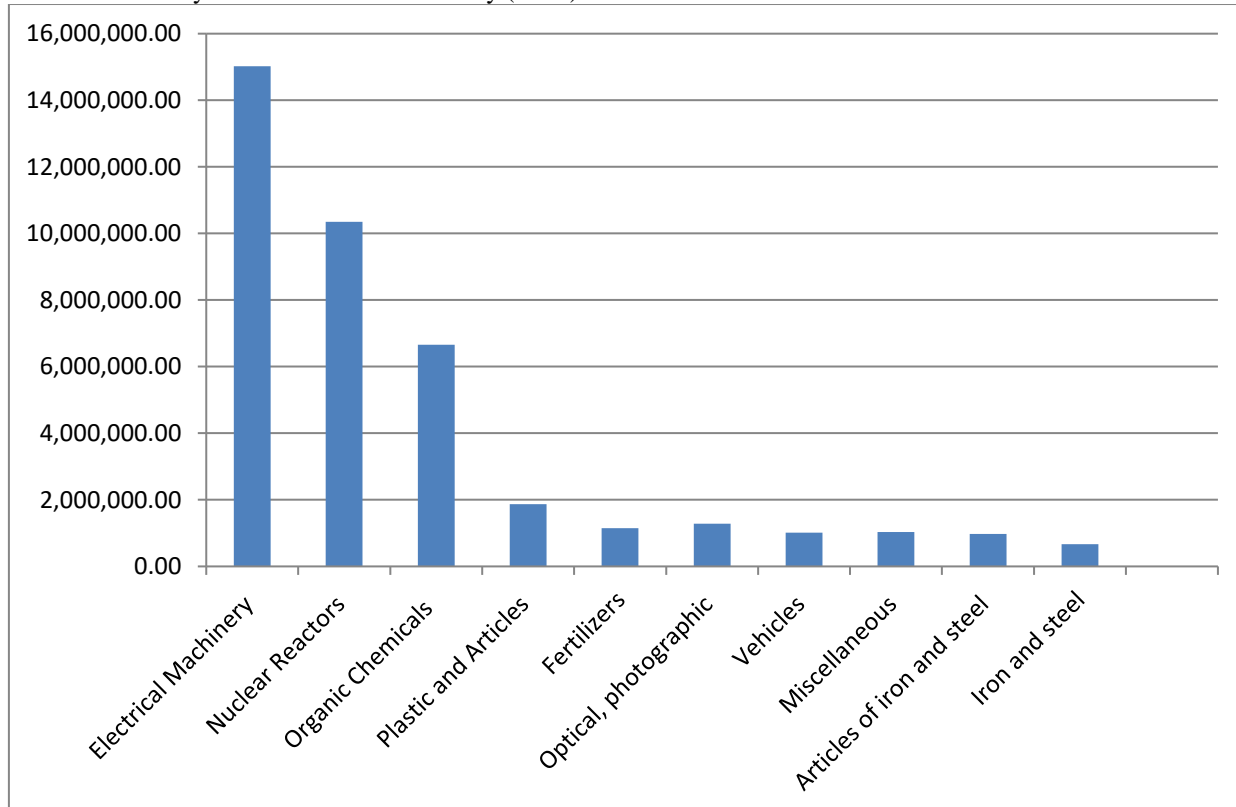
2.4 Research Methodology

The study was based on secondary data. The relevant information have been analysed with the statistical tools as such percentage, ratio analysis technique etc.

1 India's Export to China (Rs)

Year	Export	Growth (%)
2011-12	8747082.09	3.6
2012-13	7352956.23	-15.94
2013-14	9056108.68	23.16
2014-15	7303048.30	-19.36
2015-16	5893941.16	-19.29
2016-17	6825091.98	15.80
2017-18	8599429.96	26.00
2018-19	11728910.90	36.39
2019-20	11767331.48	0.33
2020-21	15720156.80	33.57
2021-22	15821547.51	0.64

Source :- Ministry of Commerce and Industry (India)

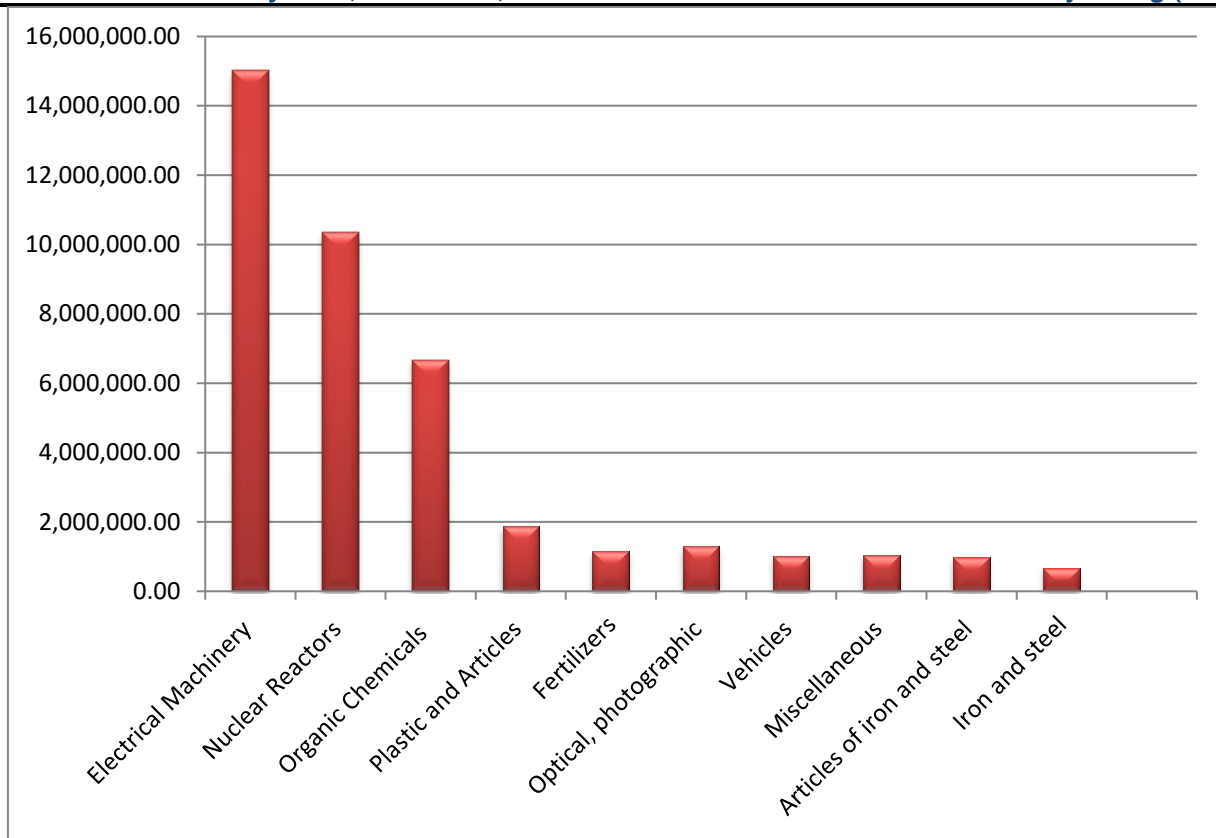


Positive growth has been noticed in the fiscal years in 2011-12, 2013-14, 2016-17 and onwards in terms of exports to China. Nominal growth observed during 2019-20 owing to outbreak of covid-19 pandemic and substantial growth seen in the wake of pandemic and global recovery.

2 India's import from China (Rs)

Year	Import	Growth (%)
2011-12	26546561.90	34.02
2012-13	28438458.52	7.12
2013-14	30923495.99	8.73
2014-15	36956536.01	19.50
2015-16	40405084.15	9.33
2016-17	41110329.33	1.74
2017-18	49232616.54	19.73
2018-19	49207928.34	-0.03
2019-20	46152476.82	-6.20
2020-21	48349579.92	4.54
2021-22	70512313.21	46.14

Source :- Ministry of Commerce and Industry (India)

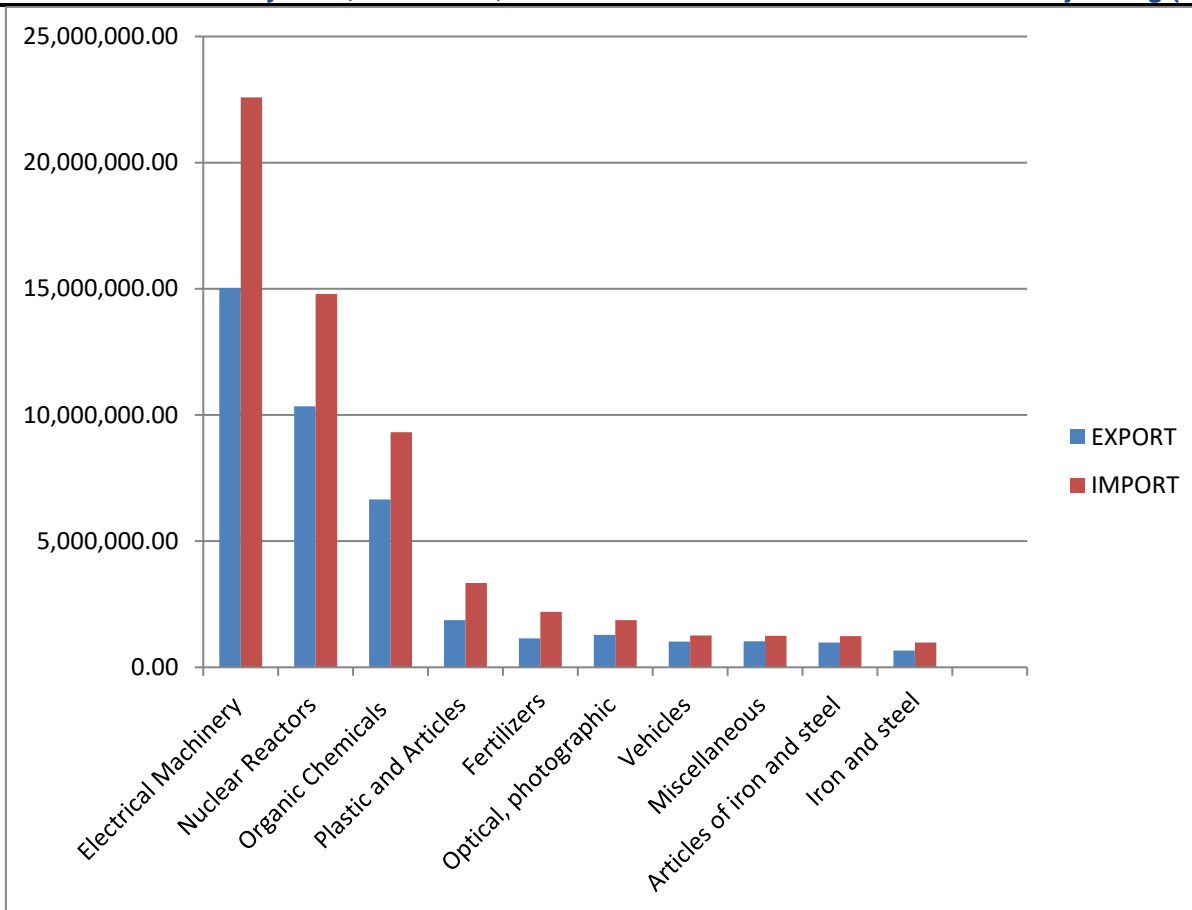


Negative growth has been witnessed only during the fiscal years 2018-19 and 2019-20 regarding imports from China amid onset of pandemic.

3 Balance of Trade

Year	Export	Import	Ratio
2011-12	8747082.09	26546561.90	0.3294
2012-13	7352956.23	28438458.52	0.2585
2013-14	9056108.68	30923495.99	0.2928
2014-15	7303048.30	36956536.01	0.1976
2015-16	5893941.16	40405084.15	0.1458
2016-17	6825091.98	41110329.33	0.1660
2017-18	8599429.96	49232616.54	0.1747
2018-19	11728910.90	49207928.34	0.2383
2019-20	11767331.48	46152476.82	0.2594
2020-21	15720156.80	48249579.92	0.3258
2021-22	15821547.51	70512313.21	0.2243

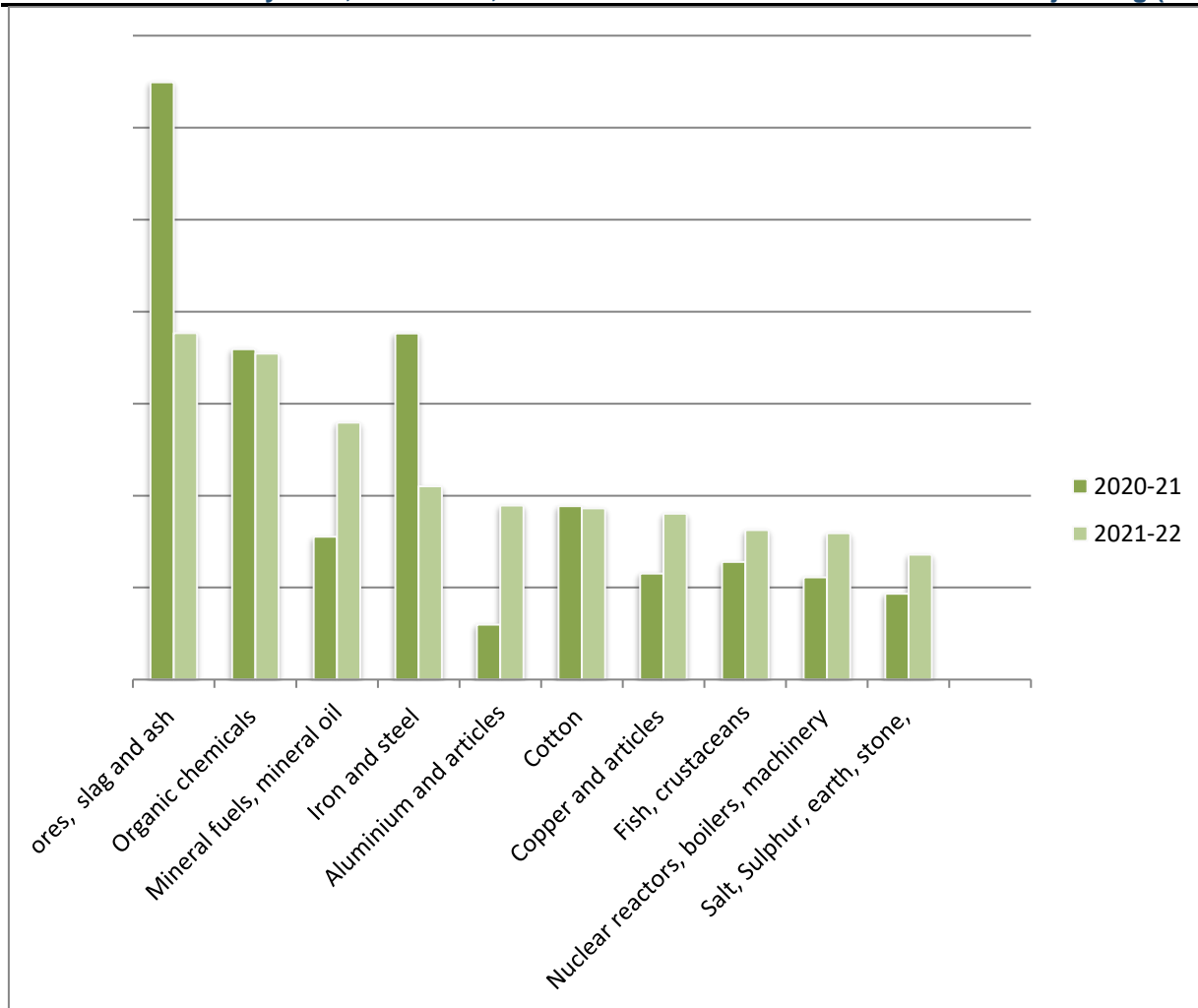
Source :- Ministry of Commerce and Industry (India)



Bilateral trade has been adverse with China during the period from 2011-12 to 2021

4 Composition of India's export to China

S.No.	Products	2020-21	2021-22	Growth %
1	Ores , slag and ash	3,246,192.15	1,882,784.41	42.00
2	Organic chemicals	1,796,282.90	1,772,170.17	1.34
3	Mineral fuels, mineral oil, products of their distillation, bituminous substances, mineral wares	775,933.02	1,397,285.65	80.08
4	Iron and steel	1,881,309.30	1,049,945.16	-44.19
5	Aluminium and articles thereof	298,625.97	946,616.86	216.99
6	Cotton	941,953.61	931,426.02	-1.12
7	Copper and articles thereof	576,371.00	901,517.27	56.41
8	Fish, crustaceans, molluscs and other aquatic invertebrates	640,092.99	813,108.45	27.03
9	Nuclear reactors, boilers, machinery, mechanical appliances and parts thereof	555,882.72	795,533.43	43.11
10	Salt, Sulphur, earth, stone, plastering materials , lime and cement	465,969.96	679,531.52	45.83

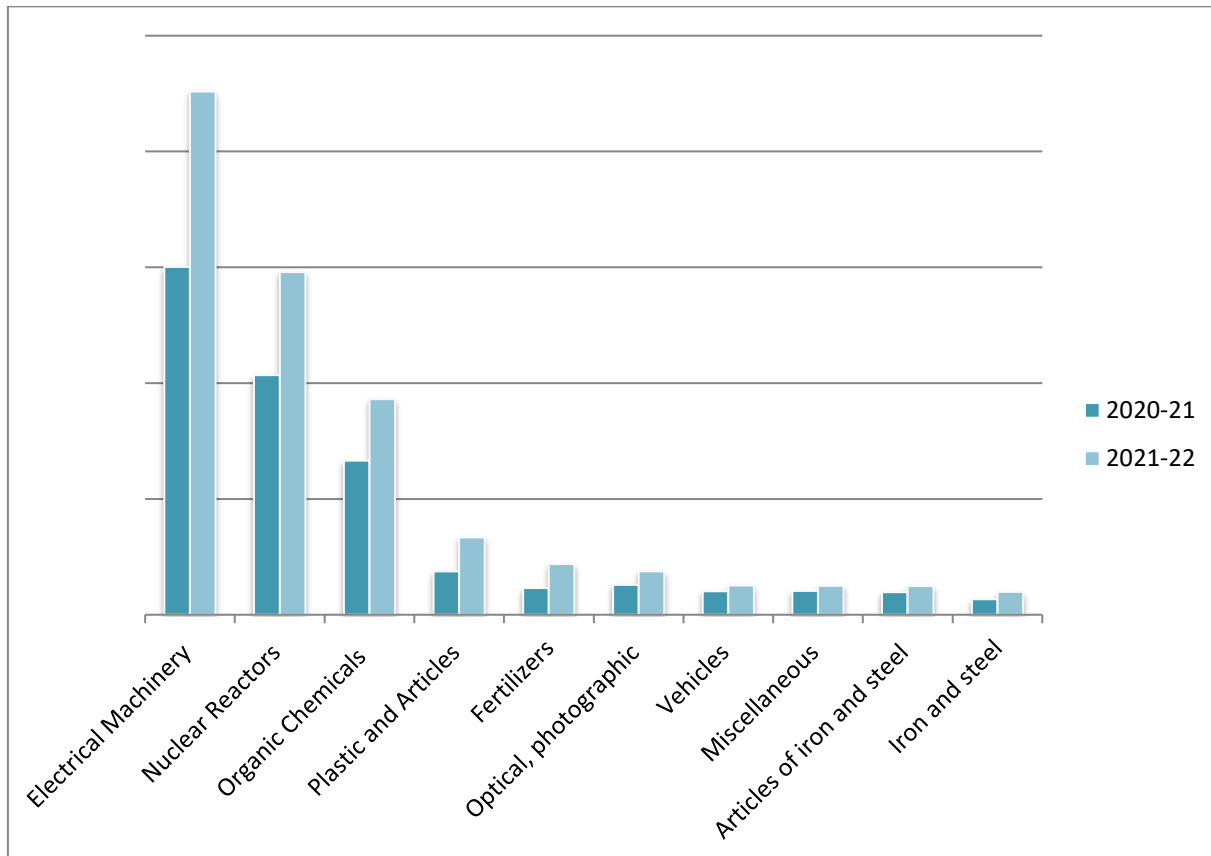


Exports of Aluminium and articles thereof, copper and articles thereof, fish and aquatic items, nuclear reactors, boilers, machinery, salt, sulphur, lime and cement, ores, slag and ash have increased over the corresponding fiscal year whereas remaining items have decreased over the previous year.

5 Composition of Imports of India from China

S.No.	Products	2020-21	2021-22	Growth %
1	Electrical Machinery and equipment and parts thereof, sound recorder and reproducers, Television image, sound recorders, reproducers and parts	15,020,046.84	22,591,953.26	50.41
2	Nuclear reactors, boilers, machinery and mechanical appliances, parts thereof	10,348,095.02	14,797,904.75	43.00
3	Organic chemicals	6,654,346.21	9,312,892.20	39.95
4	Plastic and articles thereof	1,869,365.54	3,337,831.17	78.55
5	Fertilizers	1,150,332.53	2,193,611.43	90.69
6	Optical, photographic cinematographic measuring, checking precision, medical and surgical INST and apparatus parts and accessories thereof	1,284,771.91	1,873,227.12	45.80

7	Vehicles other than Railway or Tramway rolling stock and parts and accessories thereof	1,016,001.06	1,258,955.05	23.91
8	Miscellaneous chemical products	1,030,075.11	1,246,804.25	21.04
9	Articles of iron and steel	975,953.65	1,240,803.79	27.14
10	Iron and steel	664,301.56	980,694.00	47.63



Imports of all items have increased over the corresponding fiscal year. Maximum growth of import of fertilizer followed by plastic and articles thereof, electrical machinery and equipments, sound recorder, reproducer, television image, nuclear reactors, boilers, machinery and mechanical appliances, organic chemicals have been witnessed respectively over the previous year.

3. Findings

1. Growth of exports to China have been positive barring the fiscal year as such 2012-13, 2014-15 and 2015-16.
2. The lowest growth of exports witnessed during the Pandemic period.
3. Imports from China have been increasing significantly barring the fiscal year 2018-19 and 2019-20.
4. Negative growth of imports observed only during the Covid 19 period.
5. India has trade deficit with China during all fiscal year rising substantially every fiscal year.
6. Rising trade deficit in every fiscal year as such from 52.69\$ billion in 2015-16 to double around 100 billion in 2021-22 is really matter of concern and major challenge in bilateral trade.
7. Growth of exports of aluminium and articles there of, copper and articles there of, nuclear reactors, boiler, machinery, mechanical appliances, parts there of, salt, sulphur, earth and stone, plastering materials, lime and cement, ores, slag and ash, minerals fuels, mineral oil have observed increase over the corresponding year.
8. Growth of imports like electrical machinery, equipments, parts there of, sound recorder and reproducer, television image and sound recorder, nuclear reactors, boiler, machinery and mechanical appliances, parts thereof, organic chemicals, plastic and articles thereof, fertilizers, optical, photographic, cinematographic, medical and surgical INST and apparatus, vehicles other than railways or tramway rolling stock and parts and accessories thereof, miscellaneous chemical products, iron and steel have been increasing over the previous fiscal year.

4. Suggestions

1. Manufacturing sector needs to be strengthened to have at least share of 25% of GDP like that of China.
2. Exports of Agriculture products should be increased to China to realize of increasing double income of the farmers.

3. Major challenge of increasing trade deficit especially with China needs to be resolved by making India Atma-Nirbhar through schemes like Vocal for Local , Start-up , Stand-up , Skill India , Digital India, Entrepreneurship etc.
4. To explore possibility of expansion of Trade relation with other countries of the world in view of rising tension and boundary disputes with the China.
5. Bilateral trade should be increased through adjoining states of the country to harness potential of concerned states.
6. WTO related issues should be resolved amicably.
7. India should explore possibility of signing RCEP (Regional Comprehensive Economic Partnership) of free trade amongst ASEAN in view of Economic and Strategic Interest of the country.
8. Economic Reforms should be implemented speedily like that of China.
9. If India wants to realize goal of US10\$ trillion economy by 2035 then endeavours should be made to increase export of goods and services of at least US2\$ trillion.
10. Bilateral issues are to be resolved with the cooperation of the neighbouring countries.

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