



Economic and Trade Relations between India- China: A study

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Abstract

The rise of India and China as two major economic and political actors in both regional and global politics has caught global attention. The two emerging and enduring powers representing two modes of civilization signify a complex and dynamic relationship in world politics. The economic relations between India china is considered to be one of the most powerful relations in economically and commercially. India has also made sustained efforts to achieve a more balanced trade with china including bilateral trade to address the non-tariff barriers on Indian exports to china grate exchange of goods and services, the two countries have been moving forward at an incredible peace and represent the most dynamic economies.

Key words: Trade, Exports, Imports, Economic Relations, products

Introduction:

It is quite unnecessary to remind the readers to take a fresh look at the close association that existed between India and China in the ancient period. The India-China contacts dating back to the second century before the Christian Era, occupies a major part of Indian history, though many of us are oblivious of this. Nevertheless, the knowledge of our past history contributes to a great extent towards the reconstruction of India by stringing together the lost links of our cultural ties. The name Cina attributed to China was introduced by India to the outside world. The India and china are two of the world's oldest civilization with a history of close contacts Buddhism at home in china from India. Two Indian Buddhist monks-kasyapa Matanga and Dharmaratna pass away to china in 65 A.D. The golden period of Buddhist encouragement in china lasted eight centuries from the 5th to 12th century A.D. Tang dynasty in china occupy yourself an important role in advancement of Buddhism. The Chinese travelers introduced silk vermilion and substances made of china's bamboo. For just about a decade few slogans were more popular or more uncritically acknowledged in India than the one which designated the Indians and the Chinese as brother Hindi-Chini Bhai-Bhai. In fact, it was more than a mere slogan constant restatement had almost turned it into an article of national faith. The leaders, platform speakers and correspondents all swore by the age-old, Historic and eternal association between India and china.

Political Relations between India China:

In 1954, Chinese premier Chou Enlai and Indian prime minister Pandit Jawaharlal Nehru switch over visit and jointly initiated the famous five principles of peaceful existence. Indian Prime Minister Rajiv Gandhi's visit to China in December 1988 simplified a warming trend in relations. The two sides give out a joint statement that stressed the need to bring back friendly relations on the basis of Panchsheel and noted the importance of the first appointment by an Indian prime minister to china since Nehru's 1954 visit India - China reduced agreed to broaden bilateral ties in various areas, working to active a Fair and reasonable settlement while in the hunt for a mutually acceptable solution to the border dispute. It sustained up to April 1955, however this encouraging phase ended in January 23, 1959 when China refused to accept Mc Mahanline as the legal boundary between the two countries. This Tension reached its peak during Indo-Chinese war of 1962 and doubt constant for about two decades. Afterwards 1981, both countries took positive steps to normalize this state of affairs for this India and China started regular dialogue at the level of Vice-Foreign ministers. Individually countries realized that the boundary matter was too complex for quick determination. Thus, for the time being China and India might first develop friendly and cooperative dealings in other fields for creating a better environment for a final clearance of the boundary question. Till 1988, there was grid lock. This impasse was broken when Rajeev Gandhi visited Beijing in 1988 and passed a joint statement for restoration of friendly relationship on the basis of Panchsheel.

Economic Relations between India and China:

The India-China bilateral trade was introduced in 1951 in 1954 the Government of the two nations permitted a trade agreement which is renewed in August 1984. Seven Yearly Trading Agreements have been contracted in arrangement since 1986. The bilateral trade between China and India has been developed in a rapid pull with trade volume increasing constantly and variety of exchanging commodities gradually expanding. Since 1999 interactions between the economic and trade rounds of China and India have kept increasing, and the bilateral trade volume has grown even faster. In 1999 the total trade volume between China and India recorded only US\$265million, whereas in 1999 it rose to US\$1988 Million. In 2000, it shot up to US\$ 2910 million an increase of 46.4 per cent of the preceding year, of which China's exports amounted to US\$ 1560 million and imports to US \$ 1350 million an increase of 34.3 percent and 63.9 per cent correspondingly. India has become China's largest trading partner in south Asia The increase in Chinese exports to India on all product basis shows the increase in competitiveness as the major factor, second is increase in India's demand for Chinese products, and third is the product diversification. There are discrepancies in the results of two lists of products analyzed due to product composition. Nevertheless, the fact emerges that all the three factors are responsible for expansion of both India's exports to China and China's exports to India. The increase in Chinese demand is responsible for more than one-third of increase of India's export to China whereas competitiveness constitutes half of the increase in India's exports. The product diversification does not play an important role. As far as Chinese exports to India are concerned, competitiveness is the most important factor followed by demand factors. Advanced and medium technology products dominate the Chinese import basket and it

accounts for 61% of the imports. To enhance trade complementarities with China, the country needs to diversify export products towards these technology-oriented products. Given the current state of Indian industrial structure, it appears that in the immediate future, the scope for building complementarities appears slim as the potential for intra-industry trade is limited the option is to enhance inter-industry trade. This new model of economic reforms is commonly known as the Liberalization, Privatization and Globalization model. The primary objective of this model was to make the economy of India the fastest developing economy in the globe with capabilities that help it match up with the biggest economies of the world. The concepts of liberalization, globalization and privatization are actually closely related to one another Indian economy grew at the rate of over 5.5% throughout the last decade of 20th century. As the incomes of the individuals grew, their demand of fast moving consumer goods products increased rapidly. The growth in the first decade of 21st century was more or less more than 6.2%. With more income the demand for consumer manufactures increased at fast rate because income elasticity of these goods always greater than unity. China exploited this boost in consumer demand of India and started supplying all kind of electronic gadgets, chemicals, base metals while Indian manufacturing remained a passive spectator throughout 2003-2018. In fact all the growth in India was biased in favor of services and other tertiary sector. Since 1991 manufacturing as a percentage of GDP has been hovering round 15% while agriculture has come down heavily from around 25% to 14%. Therefore India's manufacturing sector was out priced and outcompeted by Chinese counterpart. This lead to ever increasing deficit in Balance of Trade from around 2000 U.S. million dollar in 2003 to around 60 U.S. billion dollar per annum in 2017-18. The India's total trade with China in 2021 was worth \$125.7 billion. The sharp uptick in imports on a large base has pushed India's trade deficit with China to a record high \$69.4 billion in 2021, up from \$45.9 billion in 2020 and \$56.8 billion in 2019.

Table-I
Exports imports between India and China

India's Commodities Exported to China	India's Commodities Imported from China
<ul style="list-style-type: none"> ➤ Cotton, Ores, slag and ash ➤ Copper and articles ➤ Organic chemicals ➤ Plastics and articles ➤ Salt sulphur, earth, stone, plaster, lime and cement ➤ Machinery nuclear reactors, boilers ➤ Animal, vegetable facts and oil, cleavage products ➤ Mineral fuel oils, distillation products ➤ Iron and steel ➤ Lac, gums, resins, vegetable saps and extracts ness ➤ Electrical, electronic equipment ➤ Fish, crustaceans, aquatic invertebrates ness ➤ Bird skin feathers, artificial flowers, human hair ➤ Essential oils, perfumes, cosmetics toiletries 	<ul style="list-style-type: none"> ➤ Electrical, electronic equipment ➤ Machinery nuclear reactors, boilers ➤ Organic chemicals ➤ Fertilizers ➤ Iron and steel ➤ Articles of iron of steel ➤ Plastics and articles ➤ Pearls precious stones, metals, coins ➤ Optical, photo, technical, medical ➤ Vehicles other than railway, tramway ➤ Mineral fuels, oils, distillation products ➤ Inorganic chemicals, precious metal compound, isotopes ➤ Ships, boats and other floating structures ➤ Miscellaneous chemical products

Table-II

India's Imports from China, India's Exports to china Last 10 Years (USD million)

Year	India's Imports from china (USD million)	India's Exports to china (USD million)
2010	41249	17439
2011	55483	16717
2012	54140	14729
2013	51635	16416
2014	58230	13434
2015	61641	9539

2016	60479	8914
2017	71890	12500
2018	73845	16503
2019	68163	17278

Source:exportgenius.in

Table-II shows the dollar amount of goods imports exports by India from China in the last ten years. India China import exports, total value of China exports and imports to India has recorded a sharp rise from 2010 to 2018. The year 2019 recorded a decline in the value of total imports and Exports from China to India. India imports from China decline to USD 68163 million in 2019 from USD 73845 million in 2018. India exports to china USD 17278 million in 2019 and 2018 16503 USD million. The value of total shipments entered into India from China has been increased except in 2019 with highest value recorded in 2018. The highest value of India's exports to china in the year of 2010 USD 17439 million, and second highest in the year of 2019 USD 17278 million.

The Government of India has made sustained efforts to achieve a more balanced trade with China, including bilateral engagements to address the non-tariff barriers on Indian exports to China. The Government has also taken measures in form of trade remedies against unfair trade practices and formulated technical regulations and also issued quality control orders to check substandard imports. Efforts have also been made to source critical supplies from alternate sources and sensitize the concerned ministries departments to ramp up domestic capacities. The Government has also launched schemes such as Production Linked Incentive Schemes to promote domestic manufacturing capacities in critical sectors such as Starting Materials Drug Intermediates Active Pharmaceutical Ingredient domestic manufacturing of Medical devices, and for Pharmaceuticals apart from electronic components & mobiles, white goods Specialty Steel, Food Processing industry, High efficiency Solar PV modules, Drones and Drone Components etc. These schemes will promote domestic manufacturing capacities and attract investment and reduce dependency on imports from China. Government of India follows a multi-pronged strategy to promote trade in services, which involves negotiating meaningful market access through multilateral, regional and bilateral trade agreements, trade promotion through participation in and organization of international fairs exhibitions and addressing domestic sectoral challenges and difficulties which are identified through periodic consultations with the stakeholders.

Conclusion:

There is an increasing trend of imports and exports between India and China after globalization. These two economies are the rapidly growing economies in the world. India and China are also having great cultural, historical, political background. There is tremendous potential related to international trade between these two nations. Through bilateral agreements and trade negotiation, India and China can come together and establish themselves as good partners at the international trade level.

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