



## **AN ANALYSIS OF INDO-CHINA TRADE TRENDS (PAST & PROJECTED) IN THE POST-LIBERALISATION ERA**

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### ***Abstract***

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*The study judges the trade trend between India and China which have registered solid economic growth since 1980 and opening up to international trade and capital. The Primary objectives are analyse the Indo-China trade trends since 1991 to 2015 and explore the potential for future trade and project the trade estimates for 5 years between the two nations (2015-16 to 2019-20). The paper is created mainly on secondary data sources. Data and information from secondary sources were composed by consulting various relevant journals, export statistics published by Export Promotion Bureau and Export and Import Bank, Economic review, periodical of WTO and Ministry of Commerce, Govt. of India. The findings indicate that trade is a magical bullet which can play a pivotal role in improving the bilateral relationship with the other economies of the World. This is proved with the impressive growth of India and China in the last few years. This paper is an attempt to report the Indo-China bilateral trade relations (past as well as projected) with the aid of Trend Analysis.*

**Keywords:** *India, China, Trade, Import and Export.*

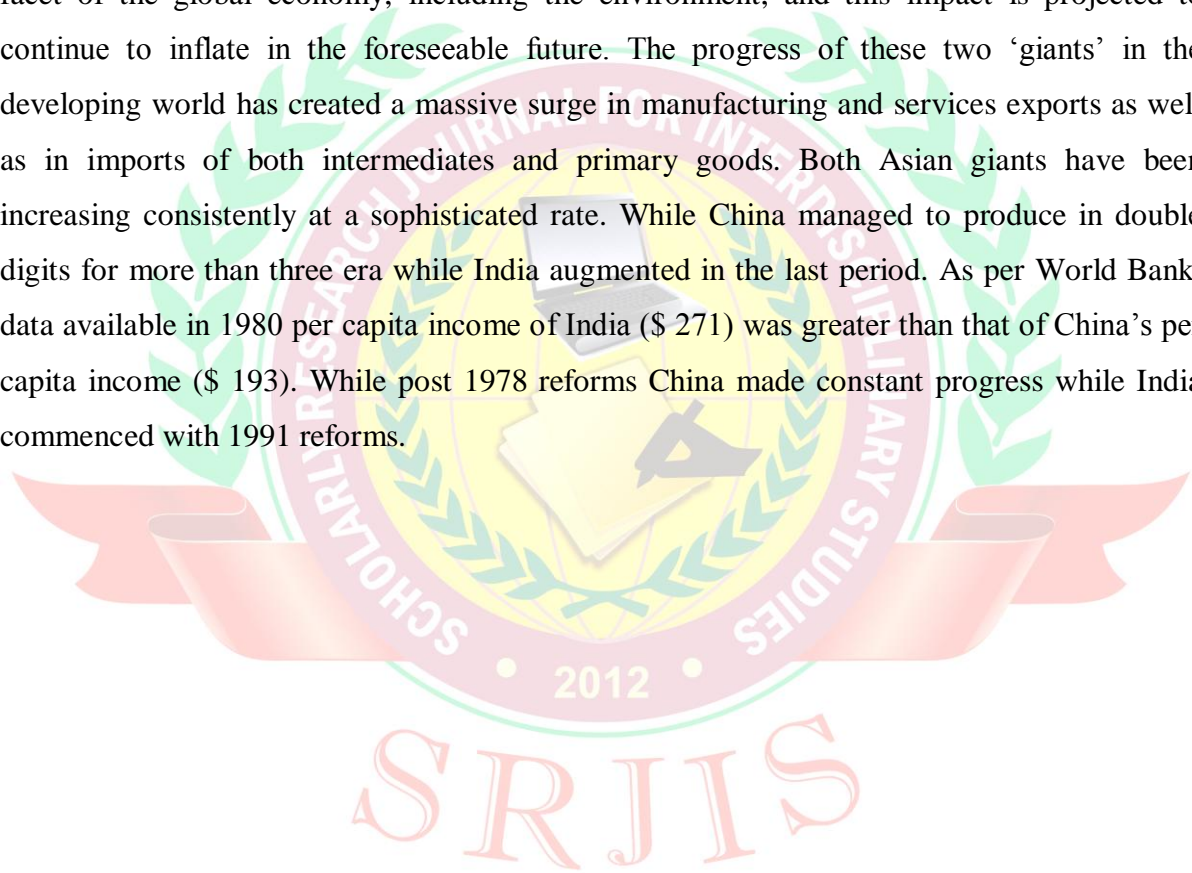
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### **INTRODUCTION:**

#### **I. Bilateral Trade**

Sino-Indian trade commenced in 1951. The business agreement was signed by the governments of the two countries in 1954 and changed in August 1984. Seven yearly exchange agreements have been authorised in sequence since 1986. The bilateral business between China and India grows quickly with trade volume unendingly increasing, variety of trading goods regularly expanding, the communication among professionals of the two

nations increasing. India and China are arguably set to change the order of multilateral authority. Given their rising economic size and population, the influence of China and India in world affairs is increasing. Extrapolating from past income progress trends suggests that China will soon be the world's prime economy while India will be the third-largest economy on gaining power parity basis. Though, inspite of their combined population of 36 per cent of the world's total, and combined gross domestic product (GDP) of 13.88 per cent (World Bank 2014), India and China are yet to claim the share they deserve in the world economy. The rapid growth of China and, more recently, of India, is having foremost effects on every facet of the global economy, including the environment, and this impact is projected to continue to inflate in the foreseeable future. The progress of these two 'giants' in the developing world has created a massive surge in manufacturing and services exports as well as in imports of both intermediates and primary goods. Both Asian giants have been increasing consistently at a sophisticated rate. While China managed to produce in double digits for more than three era while India augmented in the last period. As per World Bank, data available in 1980 per capita income of India (\$ 271) was greater than that of China's per capita income (\$ 193). While post 1978 reforms China made constant progress while India commenced with 1991 reforms.



**TABLE 1: GDP PER CAPITA OF CHINA (CURRENT US \$)**

YEAR	GDP PER CAPITA OF CHINA (CURRENT US \$)
1991	330
1992	363.00
1993	374.00
1994	469.00
1995	604.00
1996	703.00
1997	774.00
1998	821.00
1999	865.00
2000	949.00
2001	1,042.00
2002	1,135.00
2003	1,274.00
2004	1,490.00
2005	1,731.00
2006	2,069.00
2007	2,651.00
2008	3,414.00
2009	3,749.00
2010	4,433.00
2011	5,447.00
2012	6,093.00
2013	6,807.00

Source: World Development Indicators

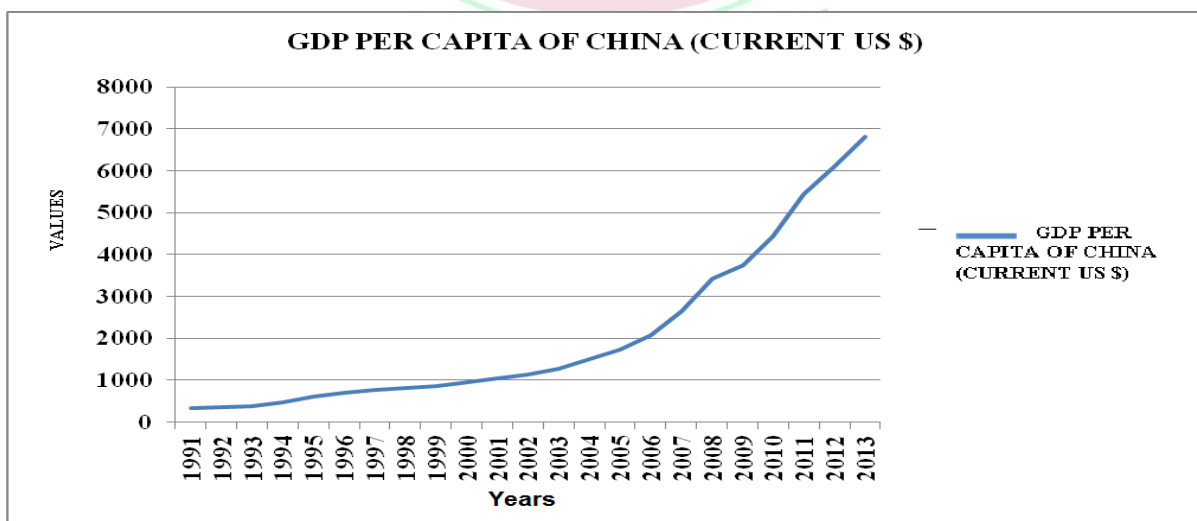


Figure 1

**Source:** Self-developed on the basis of Table 1

*As per the chart, the GDP per capita income of China has been increasing since 1991 to 2013. The GDP per Capita in China is equivalent to 28 percent of the world's average.*

**Table 2: GDP PER CAPITA OF INDIA**

YEAR	GDP PER CAPITA OF INDIA (CURRENT US \$)
1991	310
1992	324
1993	309.00
1994	355.00
1995	384.00
1996	411.00
1997	427.00
1998	425.00
1999	455.00
2000	457.00
2001	466.00
2002	487.00
2003	565.00
2004	650.00
2005	740.00
2006	830.00
2007	1,069.00
2008	1,042.00
2009	1,147.00
2010	1,417.00
2011	1,540.00
2012	1,503.00
2013	1,499.00

**Source:** World Development Indicators

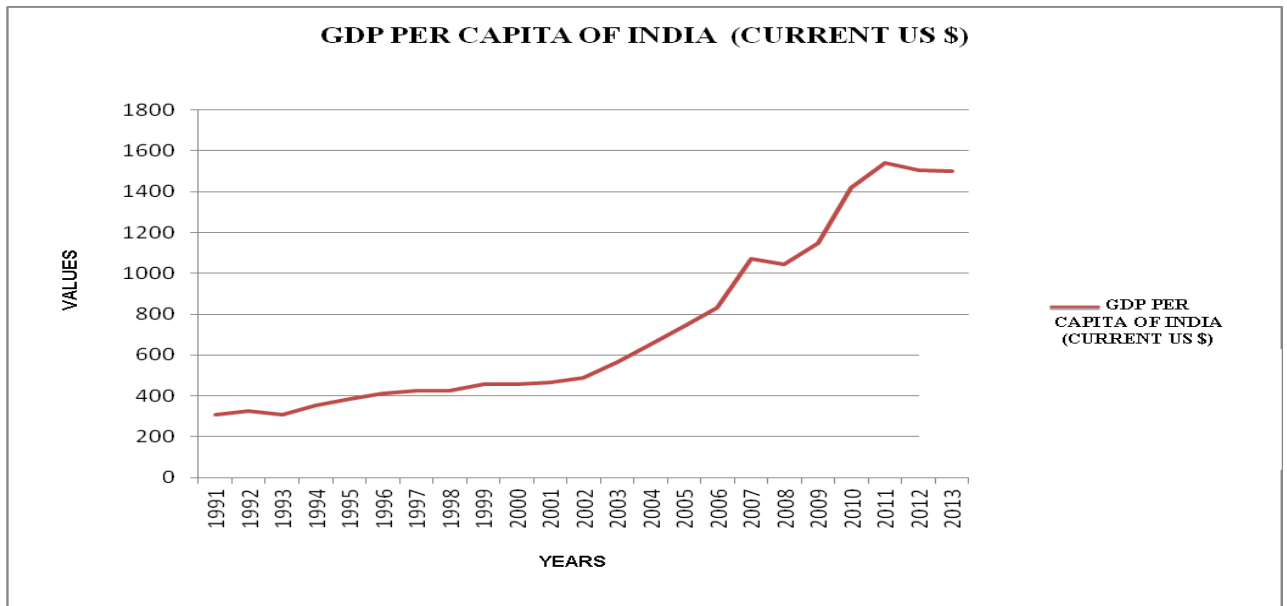


Figure 2

**Source:** Self-developed on the basis of Table 2

As per the table, the GDP per capita of India is more or less having the rising trend with slight downfalls as compared to GDP per capita of China. Although the Chinese economy is having better GDP per capita than India but overall it is not resulting in any kind of negative trend for both the economies.

### Review of Literature

After proper study the researchers started that there is already an abundant literature on trade relations between India and China, since we cannot contain everything, some substantial studies have been taken up for the drive of literature review that are most pertinent for our analysis and finding the present gap in this research area.

Biswa N. Bhattacharyay (2005) discusses the probable areas of India- China cooperation and incorporation in the Eastern and Northeastern region of India and Southwestern provinces of China.

Stanley Nollen et al, (2007) associate the industry performance in India and China. Australian Chamber of Commerce and Industry (2007) laid stresses on the integration of Indian and Chinese economies in Chindia and investigate that a Chindia nation, if realized, can become the second largest economy in the world behind United States. Betina Dimaranan (2007)

assume that if India and China are combined especially in their high-tech industries, they can provide a hard competition in global markets.

Yuefen Li et al (2008) analyze that in order to keep broad-based, fast and balanced growth, both the countries have to restore sectoral imbalances and encourage technology upgradation.

Ramesh Sharma (2008) review the evaluation of joint agricultural business of China, India and AFTA.

Dr. Bhartendu Kumar Singh (2009) studies the existent and analyze the future business between India and China.

Arvind Kumar (2010) investigates the broad contours of India –China dealings and explore the areas on which both the countries can work jointly on mutual interest. Rajesh K. Pillania (2010)<sup>9</sup> studies the trade between India and China and find out the future business trends.

Dr. Virender Pal (2011) exhibits an overview of Indo-China bilateral trade.

#### **OBJECTIVES OF THE STUDY :-**

- To analyse the Indo-China trade trends since 1991 to 2015.
- To explore the potential for future trade and project the trade estimates for 5 years between the two nations (2015-16 to 2019-20).

#### **DATA AND METHODOLOGY OF THE STUDY:-**

In light of the objectives of the research, the paper has been designed to scrutinize the recent trade between India and China and future potential for business. The information published in the various newspapers and internet in recent times have been consulted in order to present the latest trade and performance of Indian and Chinese economies. The gathered data and information were then processed, charted and analyzed to present the findings in a reasonable and objective manner.

Statistical tool Trend analysis and regression is tapped to project the export and import between India and China from yr. 2015- 2016 to 2019- 2020 from 1990-91 to 2014-15 on export and import is used. To achieve the objectives of this research, the researchers used the statistical tools i.e. Analysis of time series which are as follows:

$$\Sigma Y = a + b \Sigma X$$

$$a = \Sigma Y \div N$$

$$b = \Sigma XY \div \Sigma X^2$$

**TABLE 3: REPRESENTS TRADE RELATIONS BETWEEN INDIA AND CHINA IN TERMS OF VALUE AND % SHARE (US \$ MILLION)**

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	756.91	39132.4	1.93	614.8	33469.7	1.84
1997-98	1112.05	41484.5	2.68	717.95	35006.4	2.05
1998-99	1096.71	42388.7	2.59	427.16	33218.7	1.29
1999-00	1282.89	49670.7	2.58	539.04	36822.4	1.46
2000-01	1502.2	50536.5	2.97	831.30	44560.3	1.87
2001-02	2036.39	51413.3	3.66	951.95	43826.7	2.17
2002-03	2792.04	61412.1	4.45	1975.48	52719.4	3.75
2003-04	5545.9	78149.1	7.10	2955.08	63842.6	4.63
2004-05	7097.98	111517.4	6.36	5615.88	83535.9	6.72
2005-06	10868.05	149165.7	7.29	6759.10	103090.5	6.56
2006-07	17475.03	185735.2	9.41	8321.86	126414.1	6.58
2007-08	27146.14	251439.2	10.80	10871.34	162904.2	6.67
2008-09	32497.02	303696.3	10.70	9,353.50	185,295.36	5.05
2009-10	30824.02	288372.9	10.69	11,617.88	178751.4	6.50
2010-11	43479.6	369769.1	11.76	15482.70	251136.2	6.17
2011-12	55313.58	489319.4	11.30	18076.55	305963.2	5.91
2012-13	52248.33	490736.65	10.65	13534.88	300400.68	4.51
2013-14	51,034.62	4,50,199.74	11.33	14,824.36	3,14,405.30	4.71
2014-15 (Apr-Jan)	50,876.67	3,83,306.67	13.27	10,096.95	2,62,396.31	3.848

**Source:** Ministry of commerce, Export-Import Data Bank

Based on the above mentioned data, the trend values for export and import are calculated for the past as well as future

**TABLE 4: TREND VALUES OF INDIA'S EXPORTS TO CHINA (US \$ MILLION)**

<b>YEAR</b>	<b>TREND OF INDIA'S EXPORTS TO CHINA (PAST)</b>
1990-91	-2527.74
1991-92	-1846.41
1992-93	-1165.08
1993-94	-483.75
1994-95	197.58
1995-96	878.91
1996-97	1560.24
1997-98	2241.57
1998-99	2922.9
1999-00	3604.23
2000-01	4285.56
2001-02	4966.89
2002-03	5648.22
2003-04	6329.55
2004-05	7010.88
2005-06	7692.21
2006-07	8373.54
2007-08	9054.87
2008-09	9736.2
2009-10	10417.53
2010-11	11098.86
2011-12	11780.19
2012-13	12461.52
2013-14	13142.85



As per the table, the bilateral trade relationship can be shown better in terms of export and import trend values. The trend has been calculated with the equation  $Yc = a+bX$  where  $Y$  is a dependent variable i.e Export and  $X$  is the independent variable i.e time. Although India's exports to China trend values started with a negative trend since 1991 to 1994 but resulted in a positive trend after that. The graph is also depicting the same trend i.e from negative to positive trend values.

**TABLE 5: FUTURE OF INDIA'S EXPORTS TO CHINA (US \$ MILLION)**

YEAR	TREND OF INDIA'S EXPORTS TO CHINA (PROJECTED)
2014-15 (Apr-Jan)	13824.18
2015-16	14505.51
2016-17	15186.84
2017-18	15868.17
2018-19	16549.5
2019-20	17230.83

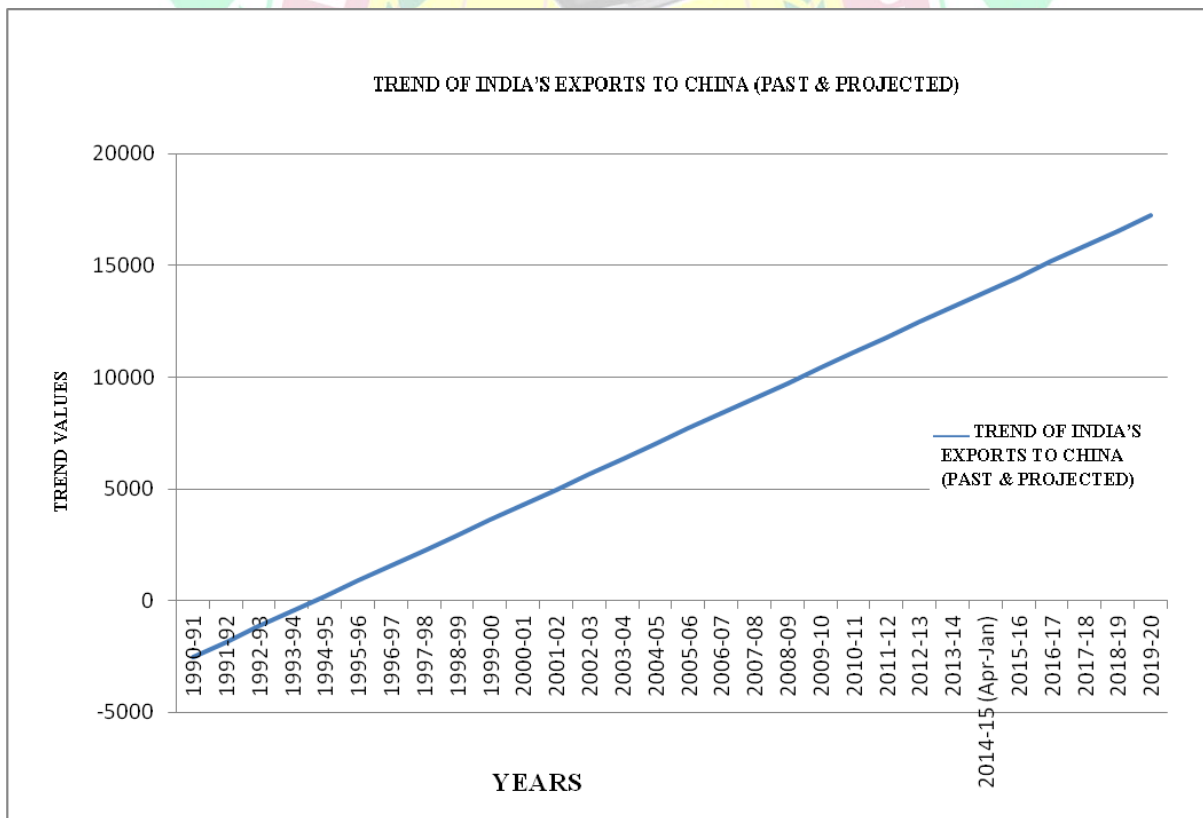


Figure 3

Source: Self – developed on the basis of Table 4&5

The above chart displays the robust future of India's exports to China as the trend values are positively increasing from 2014-15 to 2019-20.

**TABLE 6: TREND VALUES OF CHINA'S EXPORTS TO INDIA (US \$ MILLION)**

YEAR	TREND VALUES OF CHINA'S EXPORTS TO INDIA (PAST)
1990-91	614.7
1991-92	662.5
1992-93	906.3
1993-94	1528.7
1994-95	1771.6
1995-96	2154.1
1996-97	614.8
1997-98	717.95
1998-99	427.16
1999-00	539.04
2000-01	831.3
2001-02	951.95
2002-03	1975.48
2003-04	2955.08
2004-05	5615.88
2005-06	6759.1
2006-07	8321.86
2007-08	10871.34
2008-09	9,353.50
2009-10	11,617.88
2010-11	15482.7
2011-12	18076.55
2012-13	13534.88
2013-14	14,824.36

As per the table, it is very obvious that the trend is positive because the trend values have been increasing since 1991 till 2013.

**TABLE 7: FUTURE OF CHINA’S EXPORTS TO INDIA (US \$ MILLION)**

YEAR	TREND OF CHINA’S EXPORTS TO INDIA (PROJECTED)
2014-15 (Apr-Jan)	10,096.95
2015-16	47508.46
2016-17	49937.28
2017-18	52366.1
2018-19	54794.92
2019-20	57223.74

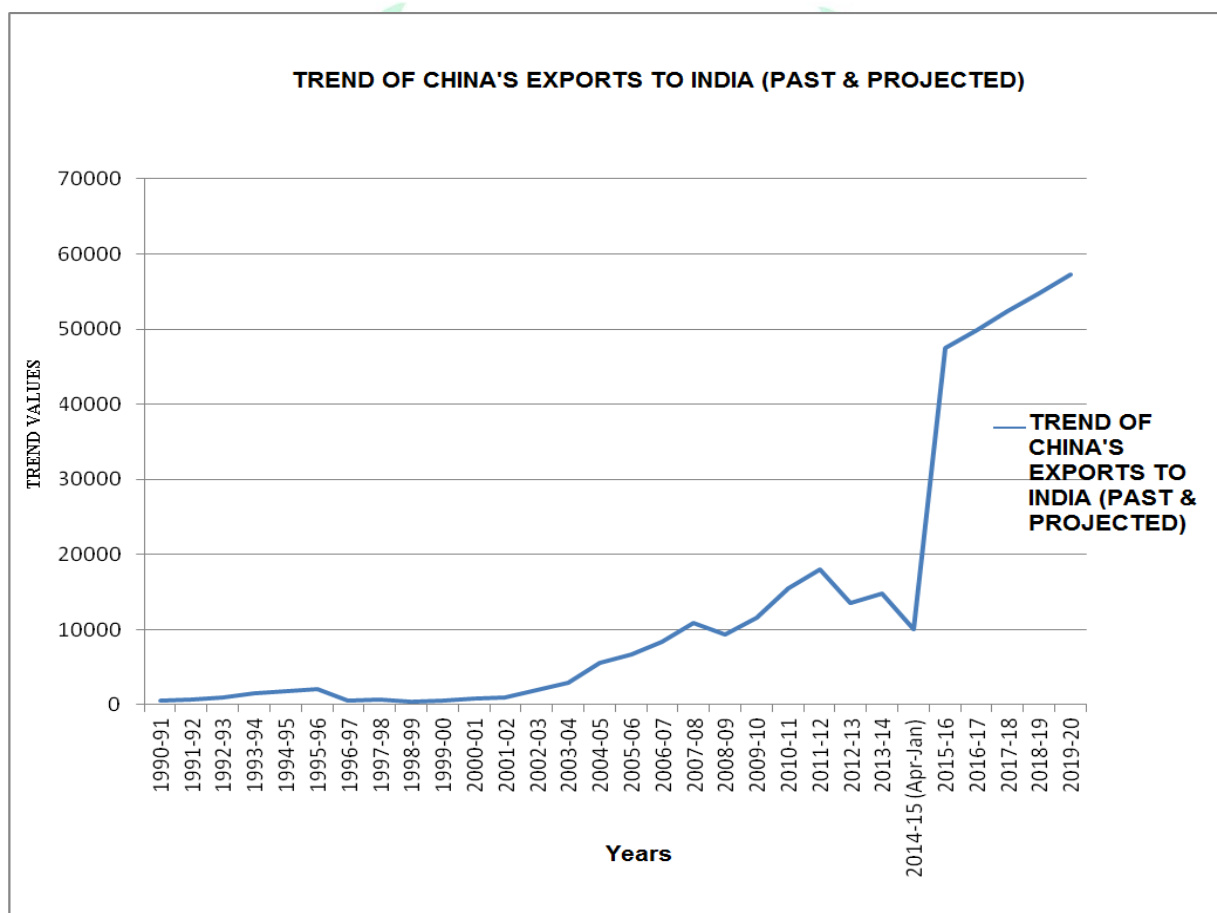


Figure 4

**Source:** Self-developed on the basis of Table 6 & 7

As per the table and graph, it is very clear that the trend values are positive for future as well. There is a great scope for Chinese economy to go ahead in exploring markets in terms of exports to India.

## **FINDINGS OF THE STUDY:**

After the analysis, it has been observed that trade is a magical bullet which can play a pivotal role in improving the bilateral relationship with the other economies of the World. This is proved with the impressive growth of India and China in the last few years. This also shows that the initiatives taken by both the Government have been successful in their trade relationship.

## **DISCUSSION:**

This paper provides an exposition of the Sino-Indian trade relationship for the last two decades. Both countries have benefited from this economic cooperation in many ways. China attaches great significance to establishment of economic and trade relations with all her neighbors. The Chinese side wishes to start an overall, long-term and endless economic and trade rapport with India while the Indian business community strongly wishes to strengthen the trade and economic bonds with China. So there is a bright future for the expansion of two-sided trade and economic cooperation.

### **In order to realise the full potential among India and China, the following steps should be taken:**

- Trade volume between the two evolving economies shrank in 2012 as India's exports to China fell 16 % mainly due to a 30 % export duty imposed on iron ore shipped overseas. Imports of power and telecom equipment through China also saw a downtrend in 2012. The focus of both the markets should be on enhancing the business volume by keeping a check on import and export duties.
- To maintain a stable and reasonably fast economic growth of 8-9% GDP of both the Countries, the weight should be on quality and efficiency, not speed.
- To strengthen the relations between India and China, support is an essential tool which is vital in these extents such as energy savings, infrastructure, travel, information technology and agriculture.
- Although India's software is becoming famous and is fascinating attention in most debate on China-India business, given the labour-intensive nature their markets, both will have to be extremely innovative to sustain the recent boom in their trade relations. No doubt, the two have so far handled their trade engagement deftly enough

but their growth to capture global resources and markets is very likely to increasingly complicate their balances.

- Though formally only a small part of their bilateral trade, India-China border trade needs special attention for being most current in improving their politico-strategic equations.
- Both countries can exchange valued experiences given the various advance strategy each has adopted. India has been capable of bearing high growth rate with small investment in infrastructure, while China's enormous venture in infrastructure made it the factory of the world. After the slowdown, it can still accelerate its economy if the service sector gets an impetus. India can make a important aid in this area.
- Growth in trade is also possible if both economies exploit their relative advantage as shown in many merchandises. There is an overlap in a few goods, so the two countries can trade in areas where there is no overlap in comparative advantage. There is also choice for increased intra-industry trade in some areas where the two countries race with each other
- However, there is scope for further research by looking at other constraints contributing to the trade among India and China than those covered in the study.

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