

An Analysis of Export-Import Relation between Indo-China Trade

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Abstract - After India's independence, and especially after trade liberalization, the country's overseas commerce has progressed both qualitative as well as quantitative. After being steady at 0.8 % b/w 2003 & 2004, India's proportion of global merchandise exports climbed to 1.0 % as well as 1.3 % in 2009. India's trading relations with all regions around the world have grown, according to the data. International trade helps to produce those commodities which have a comparative cheaper cost than others. It results in less cost of production in producing a commodity. If all the countries adopt this procedure to produce these goods in which they have less comparative cost, it will lead to a availability of goods at a lower price. International trade increases the scope of market because of domestic demand and foreign demand for the product. So there is mass production. In this Research paper, we have analysed the Relation between India and China regarding Import - Export Exchange of Goods and Services. Data for the study was collected for the period 1997-98 to 2009-10 and used the Secondary Source of Information

Keywords - Trading, Liberalization, Import - Export Exchange, Commodities, Merchandise

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INTRODUCTION

India and China are the two emerging giants of the developing nations in Asia having 37 percent of the world population* and each having 9 percent Growth rate in their respective GDP of their economies**. Both India and China got their independence in late forties. India, however tasted the freedom two years earlier than china in 1947. Considering the various economic development indicators, it could be said that China has surged far ahead of India. Both these countries are expanding in the world economy and can be seen as "Asian Drivers" – but with different trade patterns and impacts. According to the apex industrial bodies of the two countries viz. Confederation of Indian Industries (CII) and the China Council for the Promotion of International Trade (CCPIT), with the present rate of growth, the bilateral trade between China and India, which accounts for 1 percent of the two countries global trade is expected to touch \$ 100 billion by 2015.

International trade is defined as the exchange of capital, goods, and services across international borders or territories. Production of goods and services require resources. No country can produce all the goods and services that it requires for its domestic consumption because every country has limited resources. Without international trade, nations

would be limited to the goods and services produced within their own borders. International trade has got an important place in the economic development of a country. International trade helps to produce those commodities which have a comparative cheaper cost than others. It results in less cost of production in producing a commodity. If all the countries adopt this procedure to produce these goods in which they have less comparative cost, it will lead to availability of goods at a lower price. International trade increases the scope of market because of domestic demand and foreign demand for the product. So there is mass production. If the production of goods increases, average cost declines resulting in the decline of price of goods. International trade helps the people to get different varieties of goods both in quantitative and qualitative terms.* Asian Development Outlook(2005) ** World Development Report (2006)

Indo-China Relationship

India became an independent nation on the mid night of 15th August 1947. The Constituent Assembly assigned the job of drafting the constitution of free India, completed on November 26, 1949 was discussed, the views ascertained and incorporated. The Constitution was finalized and adopted on January 26, 1959 and the Republic of

India was officially formed. The Constituent Assembly elected Dr. Rajendra Prasad as the first President of the Republic of India taking over the reins of Government from the Governor-General, Rajgopalacharia. In the subsequent years, three territories (i) Goa from Portuguese in 1961, (ii) Pondicherry from the French control in 1953-54, and Sikkim in 1975 were added to the Indian Union. India held its First General Elections in 1952 with a turn out of over 62 percent.

On 1st October 1949, the People's Liberation army defeated the Kuomintang Nationalist Party of China in the civil war and established the People's Republic of China. Mao Zedong, the commander of the Liberation Army and the chairman of Communist Party of China viewed Tibet as an integral part of the Chinese state. The People's Republic of China in 1950 with the help of armed forces sought the control over Tibet and ended the Lamaism or the so called Tibetan Buddhism and feudalism.

Indo-China Economic Relations

The history of Indo-China trade in South-East Asia goes many centuries back and the ancient term for it was Nanhai trade. The exchange of goods and ideas between China and South-East Asia had already taken place before the European arrival in the 16th century. The Chinese trade and its lucrative returns provided the settings for rulers, explorers and bureaucrats to pit themselves against one another, or collude among themselves, to gain dominance and wealth in the Malay Archipelago.

In 1945, after Japanese capitulation the civil war broke out which ended in 1949 by creation of People's Republic of China headed by Mao Zedong. The period of Mao's rule was that of experiments in economy, agriculture and social life. After his death, Deng Xiaoping became the leader of communist Party of China. China started developing with programme of "four modernization" i.e. industry, agriculture, science and defense. In 1989, during dispersion of student's demonstrations troops were involved, hundreds of people died and thousands were arrested. Zhao Zhiang was removed from governing. Since 1994, when the official use of money exchange was abolished, China's economy started developing intensively. Indian Prime Minister's visit to China in December 1988 is considered as a turning point not only in political relations, but on economic and trade front too. The two sides issued a joint statement which not only stressed the need to restore friendly relations on the basis of "Panch Shila - an embodiment of Five principles of Peace, Cooperation and Co-existence," viz. Mutual respect for each other's territorial integrity and sovereignty, Mutual non-aggression against anyone, Mutual non-interference in each other's internal affairs and Equality and mutual benefit and Peaceful co-existence, but agreed to broaden ties in various areas, working to achieve a reasonable and fair

settlement while seeking a mutual acceptable solution to the border dispute.

NEED AND IMPORTANCE OF THE STUDY

According to the 2009 figures, China and India accounting for a bout 19.6 and 17.31 percent of the total population of the world have been growing very rapidly since 1980. World Bank in 2005 reported that China's GDP grew at a very fast rate at an average rate of 10.3 percent per year during the last decade 1980-90. As compared to this, the growth rate for India was only 5.7 percent per annum during the same period. Of the five countries that grew faster than India, none did so subsequently in 1990-2003 period. In the later period, China's GDP grew faster at the rate of 9.6 percent per annum, while that of India grew at the rate of 5.9 percent. However in 2010, the GDP growth rate of China and India was pegged at 10.0 and 8.5 percent respectively placing the China and India at 1st and 4th position respectively. In other words, the growth rate of India increased at a higher rate than that of China. Thus both these economies continue to grow rapidly, rather are working as the competitive economies. Both are heavily engaged in the global economy and possess nuclear powers with expanding military capabilities to match their growing ambitions. They are also having a long history of bitter rivalry and unresolved border dispute that erupted in war. Though they are competitors for power and influence in Asia, they also share common goals of maintaining regional stability i.e. combating the growing Islamic Fundamentalist menace, maintaining access to capital and markets and benefiting from the globalization of trade. Co-operation could allow them to balance United States of America's influence and increase their negotiating positions with the sole super power. It is in the light of this that the project has been taken up to study the history of trade between the two countries.

Though our policy as advocated by three of our reverend Prime Minister's was "LOOK EAST" and develop closer ties with our neighboring countries, but little special incentives or programmes have come forward to increase the trade with the countries like China unlike the trade with Latin countries or the SAARC countries through various "Exim Policies".. In spite of all this, the trade has continued to increase. According to Sridhar Bala Subramanian, a business professor at the University of North Carolina "The trade relations between the two countries have historically been tenuous at best. They have not been trading as often and as much as one would expect these two giants to trade. The markets have opened up right now to each other. There is a big influx of Chinese manufactured goods to the Indian markets usually consumer items like electric

fans, batteries, children toys and such other items. India has also started making its presence in information technology markets felt within mainland China. China has grown and vowed to become the world's largest economy after U.S.A and even may surpass it. This is witnessed from the high growth rate of China, which again is attributed to the high levels of trade and greater investment effort. Looking into the whopping growth in the Sino-Indian trade, China outlined a five point agenda, including reducing trade barriers and enhancing multi lateral co-operation to boost bilateral trade. In the light of all this, it is very essential to analyse the growth of trade over time between the two countries.

China occupied the 3rd position accounting for about 5 percent of the total exports of India to the world countries. In terms of imports, however, China was at the top accounting for about 10.7 percent of the total imports. U.A.E and U.S.A. were the next in order having 7.4 percent and 6 percent as their share respectively. In terms of total trade U.A.E. emerged at the top number one position followed by People's Republic of China, U.S.A., Saudi Arabia, Germany and Singapore in order. If the imports and exports figures of Hong Kong are included with PRC, the position will entirely change. It would therefore be of utmost importance to study the future prospects of Indo-china relations in general and the trade in particular.

COLLECTION OF DATA

The data for the study would be collected from the various secondary sources. The year 1994 marked the beginning of new era in the China-India economic relations. In this year a Double Taxation Avoidance Agreement was signed between the two countries. The governments of both the countries also has the necessary initiative to turn into dialogue partners in the Association of Southeast Asian Nations (ASEAN). To follow up, it took some time to materialize the various trade agreements. Hence the data for the study was collected for the period 1997-98 to 2009-10.

SOURCES OF DATA

As already mentioned, that the data for the study was collected from the various secondary sources viz. published and unpublished reports pertaining to import and export of various products for the different reference periods. The data was also collected from various government departments and also various websites on the internet. Major sources of data and the various websites contacted for the purpose have been given below:

- FAO website- www.fao.org
- FAO Trade Year Book for the various years

- Economic Survey Reports of various years- Government of India
- Statistics of Foreign Trade in India : www.indiastat.com
- Ministry of commerce and industries, government of India-Export Import Data Bank
- Reserve Bank of India

ANALYSIS OF DATA

The collected data was processed, tabulated and analysed as per the various objectives laid down for the study. Both the tabular Analysis and Statistical Analysis using the various quantitative techniques was used to arrive at the results of the study. The details of the Tabular Analysis and the Quantitative Techniques used . All the items of Export and import were classified as per the "ITC HS CODE" and "India Harmonised System Product classification Codes". All the items classified into 21 sections and 98 Chapters have been presented.

SHARE OF INDIA'S EXPORT TO CHINA TO WORLD'S EXPORTS

India is exporting the goods/ merchandise to a large number of countries of the world. In other words several countries of the world are exporting the merchandise to China. Since in this study, we are mainly concerned with the trade with China, it is therefore very important to study the exports by various countries of the world to China and the share of India in this trade. The total Exports to China by the various countries of the world and the percentage share of India and along with the growth rates among various years and the compound growth rates during the study period have been presented in the table.

It could be observed from the table that in 1996-97, the exports to China by the entire world countries was found to be about 33470 million US\$, while the India alone was exporting worth 615 million US\$, which meant that the share of India alone was around 1.84 percent. A close review of the table revealed that the percentage growth of the exports of the entire world were around 4 percent in 1997-98 over 1996-97. As compared to this the percentage growth of exports by India to China were found to be about 17 percent. Percentage Growth in 1998-99 over 1997-98 was negative both for India and the entire world, however in case of India, this was more pronounced and was observed to be -4.5% in case of the entire world and -49.5 percent for India. After 1999-2000, the growth rates of India's exports were observed to be higher than the entire world. The trend analysis of

the growth rates for India's exports from 1999-2000 to 2007-08 revealed that the growth rates were quite high and varied between 14.5 percent in 2001-02 to 107.5 percent in 2002-03. However, it was negative in 2008-09 (-14%), but in 2009-10, the exports increased and the growth rate was found to be 24.2 percent. It is interesting to observe that if during one year the growth rate was very high, in the following year, it came down and vice versa. The Overall Compound Growth Rate, however from 1996-97 to 2009-10 was found to be more than 33 percent. As compared to this, the trend analysis of world exports revealed that the percentage growth rate from 1999-2000 to 2007-08 was positive except for the year 2001-02 when it was negative and found to be - 1.7 percent and varied from 10.9 percent in 1999-2000 to 30.9 percent in 2004-05. It was however found to be negative both in 2008-09 and 2009-10. The overall Compound Growth Rate was found to be around 9.4 percent. Regarding the trend of percentage share of India in the export to china of the total world exports, the table did not reveal any specific trend, however it increased in 1997-98 over 19996-97. It decreased in 1in 1998-99, but from 1998-99, it showed an increasing trend and continued to increase up to

Table 1: Share of India's Export to China as Percentage to Total Exports (In US\$ million)

Year	China	Total	% Share	1996-97	% Growth World
1997-98	717.95	32784.98	2.06	16.78	3.98
1998-99	427.16	33218.72	1.29	-49.50	-4.50
1999-2000	539.04	36822.49	1.46	26.19	10.85
2000-01	831.30	44560.29	1.87	54.22	21.08
2001-02	951.95	43826.72	2.17	14.51	-1.65
2002-03	1975.48	52719.43	3.75	107.52	20.29
2003-04	2955.08	63842.55	4.63	49.59	21.10
2004-05	5615.88	83535.94	6.73	90.04	30.85
2005-06	6759.1	103090.50	6.56	20.36	23.41
2006-07	8321.86	126414.10	6.58	23.12	22.62
2007-08	10871.34	163132.2	6.66	30.54	29.05
2008-09	9353.50	158295.40	5.05	-13.97	-2.96
2009-10	11617.88	178751.40	6.50	24.21	-3.53
C.G.R. %	33.35	9.36			

2004-05. But from 2004-05 onwards till 2009-10, the share remained stagnant and was found to be around 6.5percent with slight variations in between different years except for the year 2008-09, when it decreased to around 5 percent. It could therefore be concluded that India's export to China though in absolute terms is increasing, but in percentage terms

to the total world's export to China has become almost stagnant.

Table 2: Share of India's Imports from China as Percentage to Total imports (In US\$ million)

Year	Imports from China	Total Imports	% Share	% Growth in imports from China	% Growth from World's imports
1997-98	112.05	298029	2.68	46.92	97.86
1998-99	1096.71	248953	2.27	-1.38	-16.47
1999-2000	1282.89	351511	2.74	16.98	41.20
2000-01	1502.20	432633	2.88	17.09	23.08
2001-02	2036.39	739210	3.63	35.56	70.86
2002-03	2792.04	2107960	7.55	37.11	185.16
2003-04	4053.21	2018394	4.98	45.17	-4.25
2004-05	7097.98	4294290	6.05	75.12	112.76
2005-06	10868.05	7738016	7.12	53.11	80.19
2006-07	17475.03	15325572	8.77	60.79	98.06
2007-08	27146.41	24187086	8.91	55.34	57.82
2008-09	32497.02	30807156	9.48	19.71	27.37
2009-10	30824.02	38745768	12.57	-5.15	25.77
C.G.R. %	39.60	60.70	15.11		

percentage share of china in the world trade. Table given below presents the imports from China, the entire world, percentage share of China, percentage growth of imports from China and the world.

It could be observed from the table that the imports from China have increased from 112 million US\$ in 1997-98 to 32497 million US\$ in 2008-09, but decreased in 2009-10 to 30824 million US \$ registering an increase of around 2672 percent. As compared to this the total imports from all the countries of the world increased from 298029 million US\$ to 38745768 million US \$ registering an increase of about 12901 percent, which is much above to that of imports from China. The compound Growth Rate (%) in the imports from China and the world was observed to be 39.6 and 60.7 percent respectively. The trends in the growth of percentage share of China to the total imports revealed in general the rising trend with a few exceptions.

TRADE INTENSITY INDEX

It could be observed from the table that during 1997-98 to 2009-10, trade intensity index for India's Export to China varied between 0.45 to 0.99 percent except for the year 2005-06, when it was more than unity (1.19) . As compared to this, China's export intensity to India varied from 0.70 to 1.32 during the same period. It is worth noting that during all the years China's export intensity to India was higher than India's export intensity to China. It implies that China's export to India was much higher than expected given the India market's importance in world export. In other

words, India's exports to China were lower than expected.

Table 3: Trade Intensity Index for China and India

Years	India's Export Intensity to China	China's Export Intensity to India
1996-97	0.55	0.73
1997-98	0.83	0.84
1998-99	0.50	0.70
1999-2000	0.51	0.83
2000-01	0.45	0.78
2001-02	0.57	0.88
2002-03	0.71	1.56
2003-04	0.83	0.89
2004-05	0.91	0.98
2005-06	1.19	1.01
2006-07	0.99	1.12
2007-08	0.94	1.04
2008-09	0.75	1.09
2009-10	0.88	1.32

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SUMMARY AND CONCLUSIONS

India and China are the two emerging giants of the developing nations in Asia having 37 percent of the world population and each having 9 percent Growth rate in their respective GDP of their economies. Both India and China got their independence in late forties. India, however tasted the freedom two years earlier than china in 1947. Considering the various economic development indicators, it could be said that China has surged far ahead of India. Both these countries are expanding in the world economy and can be seen as "Asian Drivers" – but with different trade patterns and impacts. According to the apex industrial bodies of the two countries viz. Confederation of Indian Industries (CII) and the China Council for the Promotion of International Trade (CCPIT), with the present rate of growth, the bilateral trade between China and India, which accounts for 1 percent of the global trade is expected to touch \$ 100 billion by 2015. Both these countries embody different combinations of state and capitalist development. Chinese enterprises have their roots in the state ownership, which operate with distinct time horizon and are less risk averse to their western counterparts. As compared to this, Indian firms are less distinct from the west model and often tend to be less specialized and include element of social commitment, which are largely alien to the western firms

There is a big influx of Chinese manufactured goods to the Indian markets usually consumer items like electric fans, batteries, children toys and such other items. India has also started making its presence in information technology markets felt within mainland China. China has grown and vowed to become the world's largest economy after U.S.A and even may surpass it. This is witnessed from the high growth rate of China, which again is attributed to the high levels of trade and greater investment effort. Looking into the whooping growth in the Sino-Indian trade, China outlined a five point agenda, including reducing trade barriers and enhancing multi lateral co-operation to boost bilateral trade. In the light of all this, it is very essential to analyse the growth of trade over time between the two countries.

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