

An Analysis of the Bilateral Trade Relations between the Republic of India and the People's Republic of China

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Abstract:

This research paper explores the bilateral trade relations between India and China, two of the world's most populous growing economies. It represents crucial aspects of their trade history, profitable growth, and the impact of significant events such as the COVID-19 epidemic. The analysis reveals that around 42.8% of the variability in India's imports from China can be explained by India's exports to China. The exploration paper also analyses the regression to understand the relationship between India's exports to China and its imports from China. There are some changes in trade balances over the years. It showcases a complex relationship with both economic and political aspects. Besides these circumstances, the trade relation between India and China plays a major role in the global economy.

Keywords: India-China bilateral trade, Exports and Imports, Regression Analysis

Introduction

India and China world's most populated Asian countries with 1.42 Billion people in India and 1.41 Billion in China. They're the most rising and dynamic husbandry. Das, R.(2018) In recent times, there has been significant advancement in trade and husbandry that ties between India and China. In 1984, India and China signed a Trade Agreement that included most utmost Favored Nation Treatment. also, in, 1994 both nations entered into an accord that aimed at avoiding double taxation China holds the position of the world's largest exporting nation and India has endured a gradual increase in their exports since 2009. China is rising towards the Indian request at an important quicker pace than any other import country. There should be an analysis of the implicit goods of an FTA with China on India, a reduction in trade walls can lead to a collective benefit. India's import growth rate is still chasing behind its import growth rates.

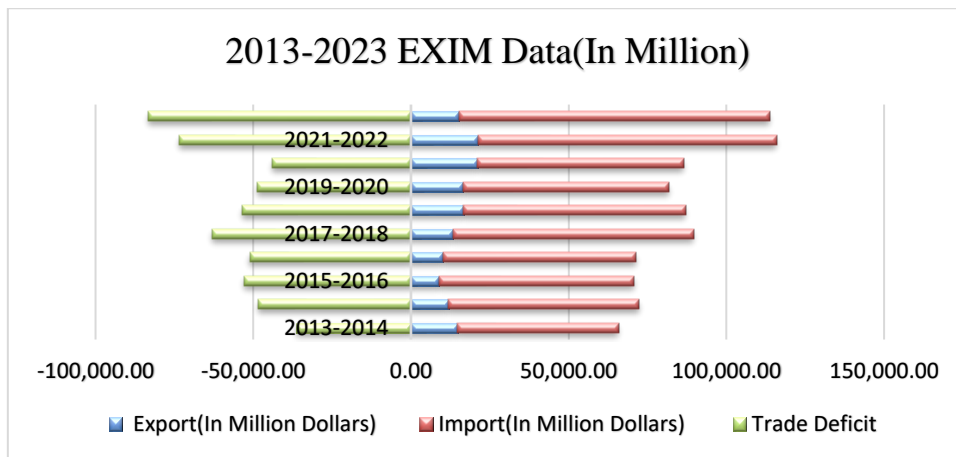
China was in the first position as a major trading mate with India in 2016 with India's exports at \$69.39 billion and India's significance at \$60.48 billion but as of now, the US is the biggest trading mate with a bilateral trade of \$128.55 billion. India in 2022- 2023 increase by 2.81% to \$78.31 billion in exports as against \$76.18 billion in 2021- 2022, while significances grew by about 16% to \$50.24 billion and China is in the Alternate position. The major particulars of Indian exports to China are ores, ash, iron and sword, plastics, organic chemicals, and cotton. The other implicit import particulars of trade between these countries are marine products, inorganic chemicals, rubber, medical outfits, etc.

There are major eventuality of trade exists in the following sectors biotechnology, IT, health sector, and tourism. The top particulars that China exports to India are electrical ministry, cement, nuclear reactors,

boilers, silk, and mineral energies. Farooqui,S.(2016) Since 1980 India has constantly maintained trade poverties, primarily driven by the increase in significance growth, particularly for orders similar as crude oil painting, gold, and tableware. Meanwhile, In China, there's a significant growth in exports of goods and services that has played an important part in maintaining its consistent profitable growth, constituting a growth of 30% in GDP

• **India and China share bilateral trade relation**

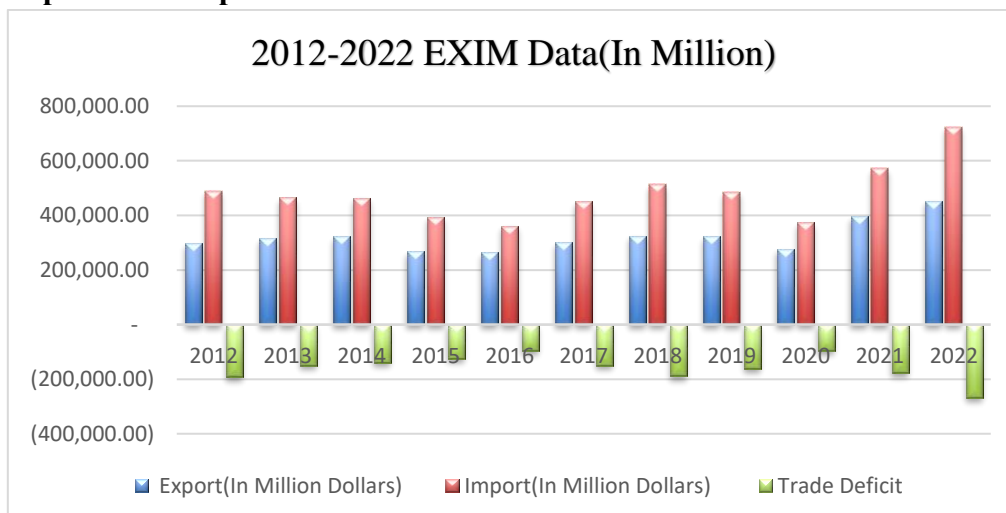
From the given trade data from 2013- 2023 we can examine that in the time 2013- 2014 there was a major difference in Imports and Exports at a change of 29.05% with a trade deficiency of USD -36,210.26 as compared to the time 2014- 15 with a change rate of 19.75%. after that from the time 2015- 2018, there was a minor average change at 16.22%. In the time 2020- 2021(Covid period) there was a major change of 32.49% between imports and exports with a trade deficiency of USD -44,025.10. The highest trade deficiency was in the time 2022- 2023 with a quantum of USD -83,199 due to the reason of weak demand from China.



(Source: Ministry of Commerce and Industry)

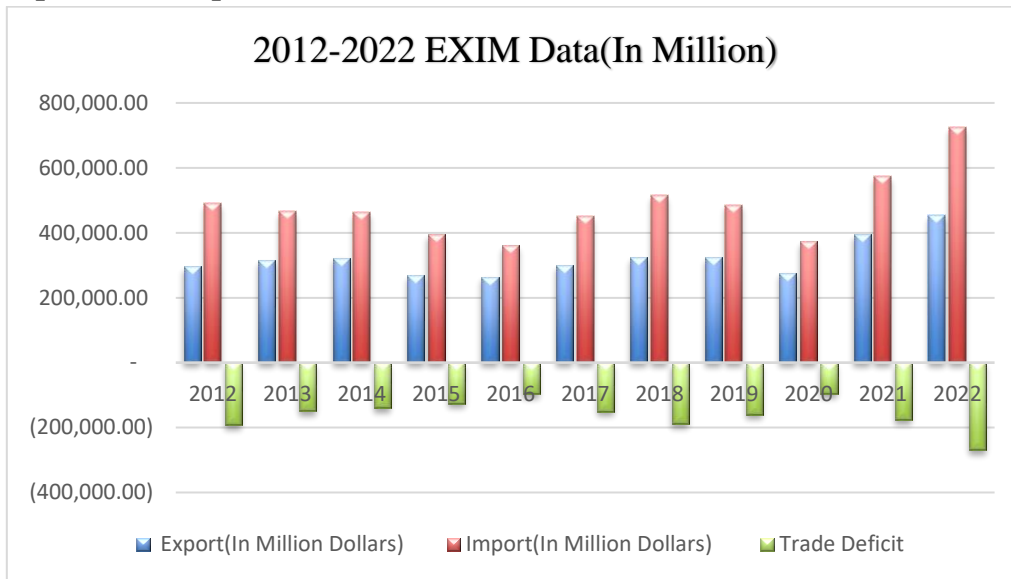
• **Individual Country’s Exports and Imports for the period 2012-2022**

▪ **China’s Imports and Exports and Trade Deficit**



Source: (UNCTADstat)

▪ **India’s Imports and Exports and Trade Deficit**



Source: (UNCTADstat)

Objectives of the study:

- To examine the bilateral trade relation between India and China.
- To analyze the historical and current trade changes over the period of time.
- To utilize regression analysis to understand the Import and Export between countries.

Literature Review

Republic of India

The Republic of India was founded in 1947, a country with the utmost citizens around 1.42 a billion. This country covers one-third of Southern Asia. In the northeast area, it shares borders with China, and Pakistan to the west, and Nepal and Bhutan to the north. India is the largest vibrant republic in the world and world rank of India is 128th and Asia's rank is 31.

Jeffrey D. Sachs (2002) India endured a period of growth driven by increased agrarian productivity during a literal period known as the Green Revolution, from 1965- 66 to the early 1980s. This agrarian movement substantially concentrated on high-yield wheat and to a lower extent paddy rice. Both of these crops largely depend on irrigation and the fertilizers use to prevent diseases.

Malik Mubasher Hassan (2021) India is a fast-growing economy, ranked fifth by nominal GDP and ranking third in terms of copping power equality worldwide. Since gaining independence in 1947, India has witnessed emotionally profitable growth. In the 21st Century, the country has constantly maintained a periodic average growth rate of 6-7% , solidifying its position as the world’s swift-growing frugality and between 2014 and 2018 India beat China in terms of profitable growth.

As Per Capita Income base India is ranked in 139th position by nominal GDP and 127th position by GDP (PPP) in 2023. (4,5)The frugality of India braked down due to demonetization and the preface of Goods and services duty (GST) in 2017 but the long-term GDP growth remained positive because of a youthful pool, low reliance rate, healthy saving, good investment rates in the country and increased integration into the global frugality. India is the world's third-largest consumer request and domestic private consumption contributes to 63.3% of the total Indian GDP. Also, government spending, investments, and exports also

contribute to India's GDP. As per 2022 statistics India ranks 11th largest importer and 10th largest exporter in the world. India became a member of the World Trade Organization(WTO) on 1st January 1995. India is the 5th largest manufacturer in the world, producing nearly 3 of the total global manufacturing affairs and employing further than 57 million populations. The maturity of the Indian population lives in rural areas and depends on husbandry as their primary source of livelihood.

People's Republic of China

The People's Republic of China was innovated in 1949 and is the world's alternate-largest nation by population of 1.41 billion and its fourth-largest by area with a geographic size analogous to the USA. Al-Fawwaz, A.(2023) China, with a land area of about 3.7 million square long hauls, is Asia's biggest country. China has been known as the People's Country of China since 1949, and it's a unitary one-party socialist democracy. For times, the country has attracted adding request influence and has been the world's swift-expanding economy.

Yanrui Wu(2004) explained there were major changes in the economy of China and growth in recent decades that were driven by different factors for instance, the development of the rural non-farming sector, the massive inflow of foreign capital, structural transformation, and promotion of trade. China for years has been the most known country for Foreign Direct Investment(FDI). In the year of 2002, China overtook the USA as the world's largest recipient of foreign capital.

Due to foreign capital, China created millions of jobs and contributed to a significant amount of China's growth. China followed the East Asian model for development to gain growth in exports. China implemented the Open-Door policy that aims at foreign trade and investment and China became a member of WTO(World Trade Organization) on 11th December 2001 which helped the country to become more liberalized and the Chinese market to be more accessible shortly.

According to the Global Innovation Index in 2022,

China was ranked 11th in the world. 3rd in Asia and Oceanic region and 2nd for the countries with a population over 100 million. China is the only middle-income frugality and industrialized frugality in the top 30. According to the protrusions of the IMF, the per capita GDP of China will rise from around 12,814 USD in 2022 to 19,623 USD in 2028. On a per capita income base, China ranked 64th by nominal GDP and 67th by GDP (PPP) in 2021.

China ranked 3rd by nominal GDP per capita and 5th by GDP per capita(PPP) among countries with a population of over 100 million. Kroeber, A.R. (2020) Over the two decades from 1979 to 2017, China was responsible for 40 or further of the global increase in manufacturing, fixed investment, electricity products, total energy consumption, and emigrations of hothouse feasts that beget global climate change.

Bilateral Relations between India and China

The link or partnership between two countries is referred to as a bilateral relationship. It is a cooperation where one country helps another specific country and vice versa. It is a collaboration of mutual interest of the two parties involved. Swaran Singh (2005) examined that India and China have a confidence-building measure that its political relations are vital for their long-term perspectives. There is a major political impact of trade between the countries.

Al-Fawwaz, A. (2023) highlights the rising growth of India and China all over Asia. Both countries have the world's largest populations and have economies among the globe . The importance of their bilateral relationship has grown with their increasing political and economic influence on the population. China

and India are the world's oldest civilizations and have a long coexistence. Over the years, both nations worked on their cultural, diplomatic, and economic parts. China has emerged as India's primary trading partner and the two countries have worked to improve their connections.

The economic partnership between these two countries is considered one of the vital bilateral relationships, and this trend is going to be seen in the years to come.

(Zhang, 2010) says that India and China are not only Asia's fastest-growing economies. They are among the fastest-growing economy globally. These countries have a strong global political presence and also have a powerful influence in terms of global economic development.

These two countries were continuously growing even during various global financial crises. India became the main trading partner of China in 1993 and their relations have led them to great growth ever since.

(Demig, 2010) According to China, official reports, China-India bilateral trade was around \$51.8 billion in 2008, compared to just \$2.9 billion in 2000, with an annual increase of 43%. (Zhang, 2010) examined that Bilateral trade reached a figure of \$10 billion in 2004, and then it reached \$18.7 billion and \$38 billion respectively in 2005 and 2007 in both years. In 2008, Chinese exports to India reached \$31.5 billion and imports from India reached \$20.28 billion (38.7% of growth). the two governments revived their aim of up to \$60 billion in 2010.

Al-Fawwaz, A. (2023) Covid-19 has really caused a dislocation in every hand of mortal life and has created some kind of query about what the future holds for certain sets, associations, and indeed nations and grounded on this transnational relationship between nations may either be affected negatively or appreciatively depending on how governments and world bodies(e.g. WHO, UNICEF, Asia Council, etc.) manage and respond to the situation, as this would go a long way in determining how the nations and players in the global community and the world as a total would heal from the scars and damages the epidemic has done.

During the pandemic, India as a global player appealed for a worldwide battle against the pandemic by reaching towards SAARC (South Asian Association of Regional Cooperation) which includes the following countries Bhutan, India, Nepal, Maldives, Bangladesh, Sri Lanka, Afghanistan, and Pakistan. They also managed to send some similar drugs to SAARC nations. (Singh and Choudhury, 2020) says these instances sparked widespread international reactions and also had an adverse effect on bilateral trade relations between China and India given that as of August 8, 2020, it was reported that the government of China's customs data show that mainland China's export to Indian neighbors had since January 2020 fallen 24.7% year-on-year to USD32.28 billion. (Sun, 2020) It was further gathered that Chinese smartphone share in the Indian market had fallen to 72% lower during the June quarter of 2020 as against the 81% it was in the March quarter of 2020.

Das, R.(2018) China has replaced the European Union(EU) and the USA and become India's largest trading mate. There's still more implicit in their bilateral trade. But a close look at this adding trade between the two countries would suggest that it's hardly contributing to the change in collective mistrust in the profitable share.

The relationship between India and China is a complex bone. On the one hand, the adding trade relations, high-position political exchanges, and a common understanding of certain global issues contributed to lesser trust and confidence. But the ongoing border disagreement, anti-dumping measures of India from the cheap Chinese goods, competition for oil painting and gas, and the non-military competition in the Indian Ocean are the major areas of concern for both.

Research Methodology and Analysis

Variables Entered/Removed			
Model	Variables Entered	Variables Removed	Method
1	India_export_to_China ^b		.Enter
a. Dependent Variable: India_import_from_China			
b. All requested variables entered.			

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.654 ^a	.428	.387	12108.698
a. Predictors: (Constant), India_export_to_China				

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1533077756.9	1	1533077756.9	10.456	.006 ^b
	Residual	2052687785.8	14	146620556.13		
	Total	3585765542.8	15			
a. Dependent Variable: India_import_from_China						
b. Predictors: (Constant), India_export_to_China						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	33549.130	11475.926		2.923	.011
	India_export_to_China	2.442	.755	.654	3.234	.006
a. Dependent Variable: India_import_from_China						

Interpretation of the Regression

The regression analysis aims to define the relationship between India’s exports to China (independent variable) and India’s imports from China (dependent variable). The model summary section shows the R-

squared 0.428 which means around 42.8% variability in India's imports from China can be explained by India's exports to China. It describes a meaningful relationship between these two variables.

The adjusted R-squared is 0.387, which indicates the number of predictors in the model. Moreover, the ANOVA (Analysis of Variance) table, it indicates the significance of the regression model. The F-statistic is 10.456 and it is associated with a p-value that is 0.006 which is less than the normal significance level that is 0.05. This indicates that the independent variable is significant in explaining the variation in the dependent variable (India's imports from China).

The coefficient table describes the constant (intercept) as 33.549.130 means the value of India's imports from China when India's exports to China are zero. This constant value suggests that even in the absence of exports, some level of imports is expected.

The coefficient for India's exports to China is 2.442 units. The t-statistic associated with this coefficient is 3.234. There is a positive relationship between India's exports to China and its imports from China. They both will increase accordingly and this relationship is statistically supported.

Conclusion

The bilateral trade relationship between India and China is dynamic and over the years, they have noticed a continuous growth in trade with China. However, it also includes various challenges like border disputes, competition in various sectors, etc. Through international trade, countries have started to export their surplus commodities that are produced to satisfy the unlimited and scarce wants of the particular commodity in another country (Shrivastava 2017). This paper also includes regression analysis to check whether the variability in India's imports from China can be attributed to India's exports to China and the results show a positive correlation between India's International Trade with China. It has been shown in the study that the trade deficit of India with China has increased over a period of time and in the year 2022 it was highest. India and China are very important for each other and also for the world's economy, the way they trade with each other will keep affecting how countries do business in the near future.

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