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An assessment of Indo-China relations in context of trade

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Abstract

The globalisation has delimited the international boundaries and world has entered into a global village. The information and communication technology has eradicated the international barriers and the international relation has knocked the door of each and every corner of the world. Keeping in view, the present study was carried to explore the Indo-China relations in connote of trade. The researcher in this study inferred that the trade relation between Indo China is long lasting and has proved effective for both countries. However, the impact of political grievances has been seen moderate on mutual trade development.

Keywords: Indio-China relations, trade management

Introduction

India and China are the two old oldest civilizations, most populous states and world's fastest-growing economies. Both countries co-existed peacefully for thousands of years except twenty years from 1958-1978; when both the countries adopted strong nationalism posture. India and China established diplomatic relations with each other on 01 April 1950. In 1954, the two countries jointly agreed on the Panchsheel (Five principals of Peaceful Co-existence) however China and India fought a war in 1962. India is a democracy with freedom of expression and China is a communist state with very less freedom. They share a 4,500 kilometre long border, most of it between northern India and Tibet. Much of this border runs along the Himalayas, which forms a natural barrier between the two countries. Today, India is not influenced by West and has developed a friendship on its own merits and not as a counter-weight to China. Mutual relation and World politics over the years, particularly after the end of the cold war have changed. There is a more realization that in a globalized world there is no alternative other than cooperation and mutual interdependence. The India-China relationship is one of the most interesting relationships between two major powers despite certain differences between the two countries, both have managed the relationship ever since the war of 1962 is a remarkable achievement. The border between the two countries, except occasional intrusions, remains peaceful and this speaks of the salience of the Confidence Building Measures (CBM's) between the two countries. India and China together contain about 36.4 percent of world population. So, they have very big markets. As these two countries play an important role in world economy, their economy has a significant impact on world economy. But they differ largely in their trading pattern. China economy has grown by increasing investment in the manufacturing industry and increasing foreign trade, while for Indian economic led by growth is service sector. China and India are the two largest developing countries in the world and are currently the most important emerging giants in the world economy. From last one decade, China has maintained a consistent economic growth rate of around ten percent as compared with India's seven percent. Today, China accounts for more than twelve percent of all global exports, and it has become the largest exporter in the world. In contrast, India's international trade share is smaller than that of China at around one percent of world exports. Nevertheless, India's exports have grown rapidly in the past decade. China is the one of the largest trading partners of India. In past few years trade between India and China has increased rapidly. The economy of China is second largest in the world and still growing very rapidly. India is also developing at a fast rate. So, the trade between them leads to mutual cooperation and helps each other to develop.

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China and India liberated from imperialist rule and domination over a century ago. This rule had a different outcome on both nations as the nature of British rule differed in both the countries. More than two centuries, India suffered a single British rule, whereas, Chinese empire had seen different rulers. Indian infrastructure facilities were better than China. However, the Indian agriculture had been misused by British rule, nearly all of the irrigation facilities and related fields like fertilizers had been shifted to cash crops as per need of British policy. China has focused more on rising agricultural pattern, also known as operating crop revolution scheme. As a outcome, in spite of the neglecting the investments in agriculture area, China sustained a noteworthy achievement in the growth targets of food grains, more than India up to 1952. In the recent decades the trade relations between the two countries has been improved. The emergence of globalisation has put both countries into new style of trade. Almost the trade has been seen in multiple products including in the domain of information and communication technology.

Research gap

The researcher found large number of the research studies has been conducted in the domain of international studies. Apart from this it was found that maximum studies were carried at global level. Among the researcher studies maximum was seen at global level in which comparative analysis was made in Asia and African countries. Among the e research studies notable research studies were conducted by Alvarez, R. and S. Claro (2009) ^[4], Athukorala and Prema, C. L. (2009) ^[12], Arellano, M. and S. Bond (1991) ^[8], Anderson, J. and Douglas, M. U. (2002) ^[6], Arvind Panagariya (2006) ^[11], H Felipe, F. M. F. (2003) ^[14], Jane Golley, Rod Tyers. (2012) ^[16], Keshab Chandra Ratha, Sushanta Kumar (2012) ^[19]. Accordingly the researcher found that in latest years no any research study has been conducted which has examined the Indio-China relations thus, researcher consider it imperative to explore the present research study which reads as:

Problem in hand

The research problem under investigation is itemized as:

An assessment of Indo-China relation in context of trade

1.4 Purpose of study

The purpose of this study was to analyse the Indo-China in context of trade.

Research question

The research statement of the study stands on:

There seems significant India China trade relation since decades

Methodology and procedure

The research found suitable to adopt descriptive survey method for carrying this research problem.

- **Collection of data:** The investigator has collected both primary and secondary data for generalisations the results of the study.

Rationale of the study: China's export to the world in the major sectors is generally on the same lines as its export to India. China exports agricultural products to the world and India also import from China a small quantity. Contrary to its earlier practice, mineral fuel, mineral oil and products from the country's trade basket is declining. Its export to India has consistently reduced from 2008 to 2016. The major China export to the world is mainly manufacturing sector. The major exports are in the sectors such as base metals spare parts plant and machinery, plastics and chemicals. Some of these sectors have seen an increase during the period of slowing down of world economy. China has also specialized in high technological and innovative sectors and started exporting these to the world including India. This has increased the export of China drastically and improved their financial condition India is exporting to China less as compared as compared to its import. The sectors where India's exports are raw materials and sectors where human labour requirement are more though India also exports small quantity in the sectors where modern technology are used. During 2016 the major sectors of export were cotton, ores slag and ash, natural and precious stone, metal & organic chemical. A major export is cotton which was valued 1.1 billion in 2008, increased to 4.09 billion in 2012 but decreased to 1.2 billion in 2016 but still accounting for more than 10 percent of total export (UN Commodity trade statistics 2016) and has remained almost stagnant in the current years.

Table 1: Showing the Indio-China and export of trade since 2002

Years	India export to China	India export from China	Trade balance	Total trade
2000	1.35	1.56	(1.56)	(2.91)
2001	1.70	1.90	(1.90)	(3.6)
2002	2.27	2.67	(2.67)	(4.94)
2003	4.25	3.34	(3.34)	(7.59)
2004	7.67	5.93	(5.94)	(13.6)
2005	9.76	8.93	(8.93)	(18.69)
2006	10.27	14.58	(14.58)	(24.85)
2007	14.61	24.05	(24.08)	(38.72)
2008	20.03	31.6	(31.06)	(51.9)
2009	13.7	29.7	(29.7)	(43.4)
2010	20.8	40.09	(40.09)	(67.7)
2011	23.3	31.6	(50.5)	(73.8)
2012	18.7	29.7	(47.7)	(66.46)
2013	17.0	40.9	(48.4)	(65.4)
2014	16.4	50.5	(54.2)	(70.6)
2015	13.4	47.7	(58.2)	(71.65)
2016	11.8	48.4	(58.4)	(70.2)
2017	10.12	54.2	(58.3)	(70.4)
2018	10.7	58.2	(52.1)	(68.2)
2019	10.11	58.4	(50.10)	(64.2)

Source: UN commodity trade statistic

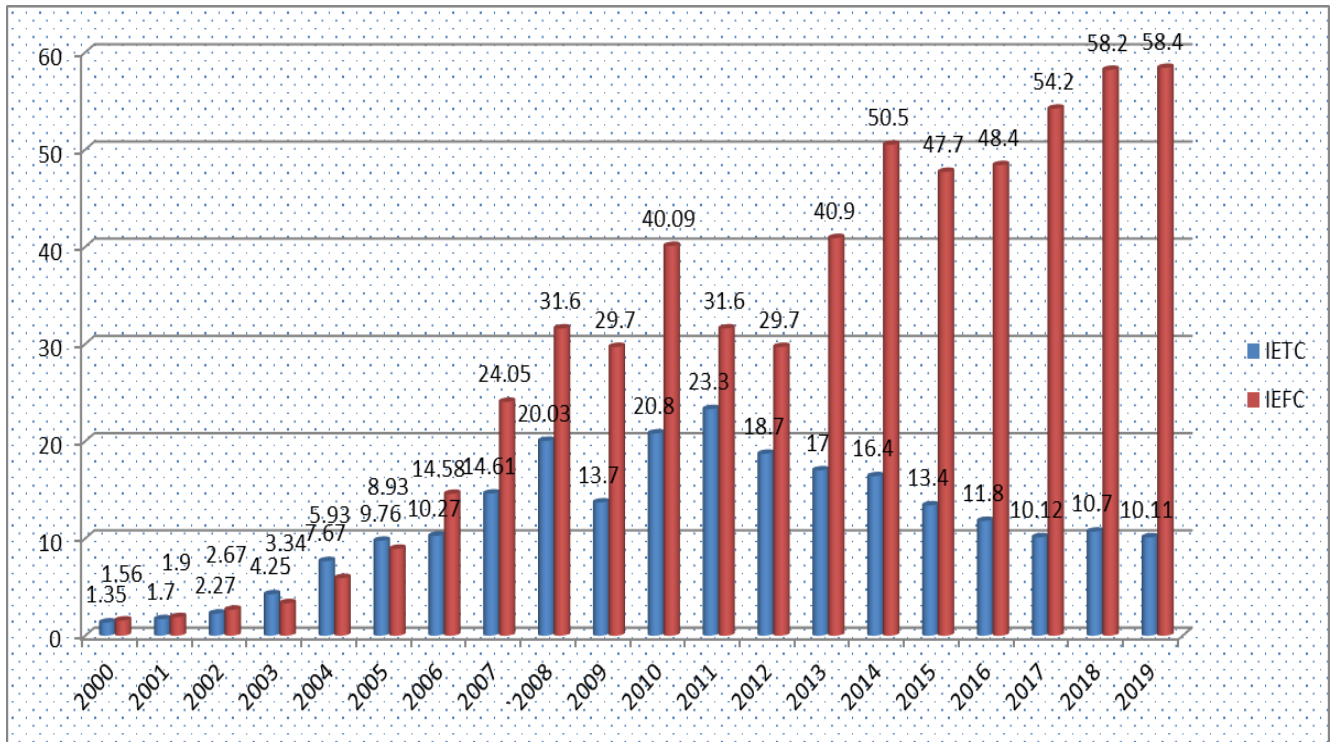


Fig 1: Showing the import from china and import to china in context of trade

- **Index: IEFC:** India export from China.
- **Index: IETC:** India export to China.

The India and China are not merely societies but they are the oldest civilization of the World. Their mutual cultural and trade relation are more than thousand years old. In spite of political tension economic cooperation has continued to expand since more than thirty years, the trade, conceptual and linguistic exchanges are very old. The trade through silk route between both the countries is also from ancient times. Emperor Asoka's propagation of Buddhism to China brought both civilization even closure. China moved to globalization and free economy since 1978 where as India delayed it by more than twenty years and started in 1991. Bilateral trade between India and China grown rapidly since 2000 where the trade between both the countries was \$2.91 billion to \$18.6 billion in 2005 which has increased to \$70.2 billion though, the bilateral trade is increasing exponentially. The trade deficit in 2005 was \$0.83 billion which has increased to \$46.6 billion in 2016. This huge 153 trade deficit is serious concern to India. This trade deficit will not be sustainable for long period. In addition India should reduce the prevailing trade imbalance with China by increasing the pace of economic growth. Besides, the above reported table and fig provides the detailed analysis of trade between India and China.

Conclusion

India and China are the two fastest growing economies of the World presently. The Prime Minister of India and President of China had visited each other countries recently and signed more than fifty documents covering various fields. These include business to business cooperation, climate change, space cooperation, railways, skill development, tourism and many more. In addition various varieties of other sectors such as thermal energy, steel, capital goods and renewal energy were signed. Besides, there was a clear consensus among the leaders on correcting

the existing imbalance bilateral trade and injecting sustainability into it. Keeping this in mind both agreed to establish high power task force to look into issues of trade deficit as well as expansion of economic engagement. The recent standoff at Doklam and Galwan valley has raised serious concern about the mutual relation between both the countries. However, crisis has been managed by both the political head of both the countries in the very mature and statesmanship was shown.

Conflict of interest: During the entire research process, the investigator has not declared any conflict of interest.

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