

Issues Arises Trade Imbalance with China

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Abstract

This paper describe the issues arises trade imbalance between china and India. India's trade deficit with china amounted to USD 36.73 billion in the financial year 2017-18 rather than USD 51.11billion in the financial year 2016-17. The bilateral trade between India and china positioned at USD 50.19 billion during the financial year 2017-18 rather than USD 71.45 billion in the previous year 2016-17. China has appeared as India's largest trading partner and increased India's confidence on its product, addressing the trade deficit is vital to ensuring that the china-India relationship continues to grow. There have been some efforts and discussion by Indian authorities on the issue, these have not given optimistic results and India, therefore, has not been able to find a long-term solution to the crisis. In this circumstance, Prime Minister Narendra modi's agenda- based trip to china to take part in the Shanghai Cooperation Organization (SCO) in May provides a key opportunity to recalibrate the imbalance. China and India are demographic giants which have become large economic power before getting rich. Their increase in international trade has created two symmetric shocks, on the supply of manufactured goods, and the demand of primary goods, contributing to a problem in world virtual price. For instance there is a divergence of interests between the two like border issue and water issues etc. here an attempt has been made to illuminate whether china's and India's paths lead them to interact as rivals and partners.

Keywords: China, India, International Trade, Trade Imbalance, Indo-china Relationship

Introduction of The Trade Imbalance

Bilateral merchandise trade between the china and India has accelerated rapidly in recent years. China has displaced the United States of America to emerge as India's largest trading partner. Simultaneously, India is also figuring among the top 10 major trade partners of china. China is India's largest source of merchandise imports and accounted for more than 15% of India's total imports in the year 2017-18. This is in spite of china emerging as the 4th largest market for Indian exports and accounting for more than 4% of India's total exports in the year 2017-18. The growing imbalance in goods trade between India and china draws attention to the determinants of such imbalance.

India's trade imbalance expanded to USD 11.98 billion in February of 2018 from USD 9.5 billion a previous year, under market outlook of a USD 14.3 billion space. Imports increased 10.4% year on year to USD 37.81 billion as purchases grew for: petroleum, crude and products (32%), electronic goods (19%), machinery, electrical and non-electrical (23%), pearls, precious and semi-precious

stones (15.9%), and coal, coke and briquettes (17.7%). Gold imports loosing 16.9%. Exports increased by 4.5% to USD 25.8 billion, enhanced by sales of petroleum goods (27.4%), natural and non-living chemicals (30.4%), drugs and pharmaceuticals (13.9%), rice (21.3%), and electronic goods (29.7%). Taking into consideration the April 2017-february 2018 period, the country's trade space extended to USD 143.1 billion from USD 97.8 billion previous years. Trade balance in India standard 2347.54 USD million from 1957 until 2018.

China reported a 36.9% increase in imports and grown of 11.1% in exports (both in dollar terms) for the month of January in 2018, January imports had rose 9.8% from previous year. China trade surplus for January in 2018 was \$ 20.34 billion. The trade deficit with china is a subject of anxiety and the government is working for greater access of Indian goods and services in the Chinese market. China topped the list of 25 countries with which India has had a trade deficit in the past three years. The other countries include Russia, Australia, Saudi Arabia, Japan and South Korea, among others. The government has taken some steps

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to defeat the trade deficit, which includes a new foreign trade policy (2015-20), merchandise exports from India schemes and Niryat Bandhu Scheme. India has exported merchandise and services worth \$230.36 billion between December 2016 and May 2017 to various countries. Of the total exports, in May, India exported merchandise and services valued at \$37.44 billion, which is 4.40% more than the previous month (April). Crude petroleum tops the list of 25 commodities in which India has a trade deficit, which includes gold, silvers, pulses, vegetables oils, electronic components and telecom instruments, among others.

This paper describe the issues arises trade imbalance with china and real economic relations during different phases of history with a special focus on the years between 2008-2018, when both china and India were following policies of trade liberalization and the possibilities of encouraging bilateral trade between the two countries.

Literature Review

IMC-Economic research & training foundation (2009) "India-China Trade Relation" this paper describe the trade relationship between china and India and future outlook for India and china. This thesis also explains, the key factors that India is expected to do for the development and key drivers of development. In this backdrop, a comparison between the two along with their trade relations with each other and with the rest of the world becomes attention-grabbing.

Mr. Salahuddin Ayyub (2012) "Indo-China trade relations: present trends and future prospects" this thesis discover the trade pattern of India china with the help of constant market share analysis. This thesis also observed that, the trade between India and china is not of the nature that it is increasing because the world trade is increasing instead there are some commodities which are being traded by India and china for each other only because they are demanded in each other country.

Bashir Ahmad Dar (2014) "Major Bilateral Issues between China and India" this paper mainly focuses on bilateral issues which hurdles the relations among the two states and look for the common understanding in the important issues for the diplomatic rise of the two Asian giants. This research describe that India's long standing boundary dispute with china particularly china's calm on Arunachal Pradesh throughout which the river Brahmaputra flows, comes in the manner of significant cooperation on the water issues.

Need of The Study

The purpose of this research is to examine the China-India relationship, to provide an understanding of the comparative substance bilateral trade. This research is focuses on the issues and disputes trade deficit between India and China. There is need of the study about the bilateral issues to solve the problems and disputes regarding bilateral trade between china and India. The study will approximation the

impact of Chinese imports on employment generation and the government will appoint an outside specialist to do the analysis. This would persuade other countries as well as to take action in opposition to very cheap Chinese goods that have swamped their markets. Along with developing countries, India's trade with china has observer a sharp rise with bilateral trade increasing to \$71.54 billion in 2016-17 from \$70.7 billion in 2015-16 and china replaced the US as the biggest trade partner of India.

On the other hand, India's exports to china have not grown-up due to which the bilateral trade gap filled to \$51 billion in 2016-17. Thus, the government will recognize imported goods from china, which are significant in import value for India but are globally mutually respectful and can be substituted through domestic production or alternates imports. The study will also ascertain if these imports are substituting domestic production instead of complementing them or they are competitive and being used as intermediates for value addition. For particular goods groups, it will also plan the entire value chain from import to crucial use and consumption need.

Objectives of The Study

- To find out the economic trade relations between India and china.
- To find out the bilateral issues regarding trade imbalance between china and India.
- To find out the pattern of export & import between India-china.
- To find out the future outlook for Sino-India trade relation.

Research Methodology

This research is only based on secondary data. The data is collected from the website of department of commerce, government of India and from the different websites and from various research theses. The analysis done from 2007-08 to 2016-17. The study divided in to thirteen parts: Introduction, history, literature review, need of the study, objectives of the study, bilateral trade relations between India and china, future outlook for Sino-India trade relation, research methodology, pattern of trade of china-India, bilateral issues regarding trade imbalance china-India, key drivers of development, data analysis and findings and conclusion. The study represents a detailed view of our trade with china along with the analysis of trade between India and china. Special Economic Zones (SEZ's) are also the necessary remarkable institutions which are absolutely promising to boost the exports from the country.

India's exports to china: Indian exports to china are an integral part of the bilateral trade relations between the two Asian countries, India and china. Indian exports mainly focus on primary goods. In 1984, India and china signed a trade agreement, providing Most Favored Nation treatment, to foster greater cooperation between each other. Moreover,

the year 2006 was celebrated as friendship year between India and china.

Chinese export to India: India import 80% of the daily need goods from china. Chinese export to India focuses on resource based exports as well as the exports of manufactured products. China has emerged as a global manufacturing center and India as the most lucrative market in the world. It industrialists in India were not in favor of china being given free access to the domestic markets. But bilateral trade relations between India and china have increased over the years.

Bilateral Trade Relation Between India-China

India and china trade relationship is relatively stronger in terms of imports and exports amongst the other countries. India has an optimistic balance of trade with china. Along with the china traditions, the bilateral trade level between china and India in 2018 reached USD 84.44 billion, up by 39.11% among which India's export to china was USD 16.34 billion, up by 14.59% among which India's import to china was USD 68.10 billion. China mostly exported machinery and equipments, electric and electronic product, products of the chemicals or allied industries, textiles and textile articles, mineral products, base metals and articles of base metal, plastic and articles thereof, rubber articles thereof, ceramic products, glass and glassware, miscellaneous articles, measuring instruments, clocks and watches, vegetable products etc. The most important imported products of china from India integrated mineral products, base metals and articles of base metal, products of the chemicals or allied industries, plastic and articles thereof, rubber articles thereof, textiles and textile articles, gems, precious metals, machinery and equipments, electric and electronic products, leather and leather thereof, vegetables products, footwear, headwear etc.

India china trade relations are the most significant part of bilateral relation stuck between china and India. In bilateral trade of India and china, most of the time china has acquired trade surplus but from a provisional decline in the arrival of Chinese imports in the Indian markets, the state of affairs was changed many times and India was enjoying a positive balance of trade with china. The India china trade relations are regulated by the India china joint business council, which guarantee a free exchange of goods and services among the two nations. It has been supposed and expressed by the government of both countries on different event that they cannot raised fast in separation from each other; perhaps if they cooperate with each other both of them will get advantages.

Bilateral Trade Issues Between India-China

There are factors inside and out among china and India which still crash their relationships, for example, border and Tibet issues are most famous and currently, the water issues has also float up in the bilateral relationships among India-china.

Border Issues

The main problem among the two nations is the border dispute, which is a chronological one. The border argument is entrenched in the subject status of the McMahon Line, which describe the boundaries among India-china. India acknowledged this contract as the basis for its territorial peace while china pointed the validity of McMahon Line which was haggard in 1941 simla meeting because china accepts that it was not a celebration of simla meeting so it is not bound to recognize the boundaries separated by simla meeting. India claims 43180 squares kilometers of Jammu Kashmir taken by china including 5180 squares kilometers yield to china by Pakistan in a 1963 china-Pakistan border agreement. Consequently, china claims 90,000 squares kilometers of country detained by India in Arunachal Pradesh. Following the 1962 war, relationship among china-India continues antagonistic for some decades.

For India, resolving the boundary disputes position higher than rank of china. That's why through the Prime Minister Shri Atal Bihari Vajpayee's visit to china in 2003, India officially accepted Tibet as a vital part of china. In May 2007, the Chinese government deprived of a visa to an Indian official to visit china on the basis that he was from Arunachal Pradesh which measured its personal region. In addition there has been sustained media intelligence of the People's Liberation Army's (PLAs) encroachments diagonally the Line of Actual Control (LAC). Yet again in March 2009 china attempted to block \$2.9 billion loan to India from Asia Development Bank (ADB) on the basis that it was intended for growth of Arunachal Pradesh. Continuing the claim on Arunachal Pradesh, in June, 2007 Chinese foreign minister again perseveres that the existence of Indians would not prevent china for claiming Arunachal Pradesh.

Currently, trade by the side of the India-china boundary takes place throughout subsequent Land Custom Stations (LCS):

- Gunji (Uttarakhand)- Pulan (TAR)
- Namgaya Shipki La (Himachal Pradesh)- Juiba
- Sherathang (Sikkim)- Renqinggang

Water Issues

During all the period, water was considered as a valuable product and is necessary for human being survival. That's why, its ownership gives authority. The preciousness and ownership in geopolitical technicalities makes water a planned product and its role as a considered assets or weakness cannot be over predictable. Therefore, seen in this circumstance, water can become a basis of both argument and collaboration in the framework of modern world.

In case of china-India, water disputes are becoming key region of anxiety between two areas. Actually, a lot of intentional thinkers are in conflict that issues linking to water will be key source of argument among the two nations in the future. China's map of building big dams and

distract the water of rivers to its own benefit has dissatisfied in India. As there are four rivers that flow from china to India, the two nations must have a superior understanding concerning to water sharing and other presence benefits out of these rivers.

Trade Pattern of India-China

Future Outlook For Sino-India Trade Relation

Trade between India and china is growing year by year.

The demand for each other's products is growing in both the countries and producers and customers in both the countries are receiving further right to use to the products of the other country. The trade is opening up day by day and is setting up to give china the market economy status (MES) rapidly. One time they build an open trade agreement the trade level among them will touch the sky. as both the countries are developing their road and rail network very fast it can be suggested to India to take advantage

Table 1.Comparison chart of bilateral trade between china & India-: (RS-in Crore)

Sr. No.	Years	India's import's	India's exports	China imports	China exports	BOT (CHINA)	BOT (INDIA)
1	2007-08	1012311	655863	109116	43597	-65519	-109116
2	2008-09	1374435	840755	147605	42661	-104944	-147605
3	2009-10	1363735	845533	146048	54713	-91335	-146048
4	2010-11	1683466	1142921	198079	70242	-127837	-198079
5	2011-12	2345463	1465959	275998	87470	-188528	-275998
6	2012-13	2675643	1633634	295637	88352	-65519	-295637
7	2013-14	2715434	1905011	308977	90809	-104944	-308977
8	2014-15	2737087	1896348	345679	93523	-91335	-345679
9	2015-16	2490298	2704590	386544	95450	-127837	-386544
10	2016-17	1396352	1039797	411124	68417	-188528	-411124

Table 2.Trade deficit/surplus of exports & imports in India-: (RS-in Crore)

Sr. No.	Years	India's Import	India's Export	Trade Deficit/ Surplus
1	2007-08	1012311	655863	-356448
2	2008-09	1374435	840755	-533680
3	2009-10	1363735	845533	-518202
4	2010-11	1683466	1142921	-540545
5	2011-12	2345463	1465959	-879504
6	2012-13	2675643	1633634	-1042009
7	2013-14	2715434	1905011	-810423
8	2014-15	2737087	1896348	-840739
9	2015-16	2490298	2704590	214292
10	2016-17	1396352	1039797	-356555

Table 3.Trade Deficit/Surplus of exports & imports in china-: (RS-in Crore)

Sr. No.	Years	China imports	China exports	Trade deficit/ surplus
1	2007-08	109116	43597	-65519
2	2008-09	147605	42661	-104944
3	2009-10	146048	54713	-91335
4	2010-11	198079	70242	-127837
5	2011-12	275998	87470	-188528
6	2012-13	295637	89352	-222285
7	2013-14	308977	90809	-218168
8	2014-15	345679	93430	-270249
9	2015-16	386544	95450	-291094
10	2016-17	411124	68417	-342707

of on the growing demand of manufacturing industry in china for products such as iron ore, slag, powder plastic and linoleum. While demand for steel is strong in china, both due to boosting housing and industry manufacturing, china is also rising as a big importer of aluminum, especially for its communication and transport infrastructure. India can obtain a vast chance here to export a lot of raw material and final goods related to construction. Also the reorganization of china's textile sector could outcome in new opportunities for India to boost the exports of cotton yarn and fabrics to china.

The key factors that India is predictable to carry out for the developments are:

- Aim to maintain its economic growth in order to exceed china's economy and recover the greatest position that it held at the international level.
- Ensuring to have a sustainable protection budget (which would not burden the economy) by being discriminating to the type of areas for military modernization.
- Creating a cooperative security arrangement, particularly involving china, so that the prospect of war is eliminated. This might prove to be the most ambitious challenge to them all.
- Indians wants to access capital, credit, skill and markets to raise the productivity steps. It is bound to be a lengthy difficult journey.

Key Driver's of Development

China's deal and financial behavior, India's appearance as a technology and novelty hub, and both countries commerce and investment communications with other developing countries have been enclosed expansively in all forms of medium.

Agricultural Reforms: After independence India set off some land modification by separating land among the occupant and introduces green revolution, which enlarged agricultural output in the 1960s. There were no key reforms in agriculture since the broader worldwide reforms procedure begins in 1991. Over the past few years, the government has opened several proposals to go faster agriculture growth, as well as agree to exchange trading of goods & services, encouraging states to reforms laws to ease up marketing of agriculture manufacture; and promoting bank to raise lending to the agriculture sector. China collectivized agriculture in the 1950s, with the founding of the cooperative structure. Though, in the last 1970s a domestic liability system was developed under which the cooperative land was separated along with households. The make a decision to raise its rural expenditure plan and so in March 2006, Prime Minister Wen jiabao declared that the government would make a concentrated attempt to assemble a new collective landscape over the next five years.

Share of agriculture in India's GDP (2017) is 14% whereas

that of in china is only 9.3%, but the average growth in agriculture GDP is 6.8% superior to in India's 4.1%.

Industrial Reforms: Indian government eliminated licensing necessities for setting up all but 18 countries in 1991 and abolishes the monopolies and restrictive trade practices Act, which controlled corporate acquisition and over-regulated business practices. In 1998-99, further de-licensing took place and now licenses are necessary only in industries like alcohol, tobacco goods and those pertaining to protection tackle. In India, the disinvestment procedure primarily paying attention on the transfer of minority rights to public and financial institutions. On the other hand, no controlling right was sold to the private sector. In 2003-04, the government privatized a little public sector enterprises, wherever it approved the controlling interest to planned investors. On the other hand, the trade of controlling venture is not likely to take place in India in the close term, with an apparent alter in government policy in this region. The communal zone balance sheet for about 20% of industrial production.

Data Analysis

The comparison of export & import of India & China (table no.1)

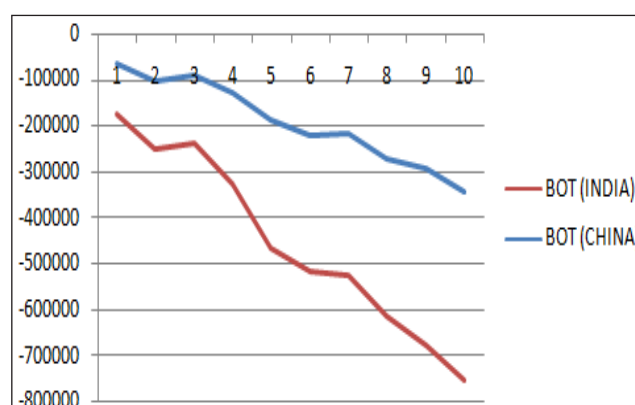


Table 1 explains India's total exports and imports and balance of trade with china and also explains china's total exports & imports and balance of trade with India over the study period from 2007-08 to 2016-17 in absolute terms as well as in relative terms. The total export of India to china was increased by 133% in the study period i.e. rs.655863cr in 2007-08 to rs.2704590cr in 2015-16 except 2016-17, where it was reduced by rs.1039797cr in comparison to previous year. The total export of china to India was increasing continuously over the study period i.e. rs.43597cr in 2007-08 to rs.95450cr in 2015-16 except 2016-17, where it was reduced by rs.68417cr in comparison to previous year. The balance of trade of India is decreasing continuously over the study period i.e. rs.-109116cr in 2007-08 to rs.-411124cr in 2016-17 in absolute terms. The balance of trade of china is decreasing continuously over the study period i.e. rs.-65519cr in 2007-08 to rs.-188528cr in 2016-17. The trend value of balance of trade was showed a decreasing trend over the study period. Hence, balance

of trade is unfavorable, so, India should try to increase their exports and decrease imports with china to obtain a favorable balance of trade in future.

Trade deficit/surplus in India (table 2)

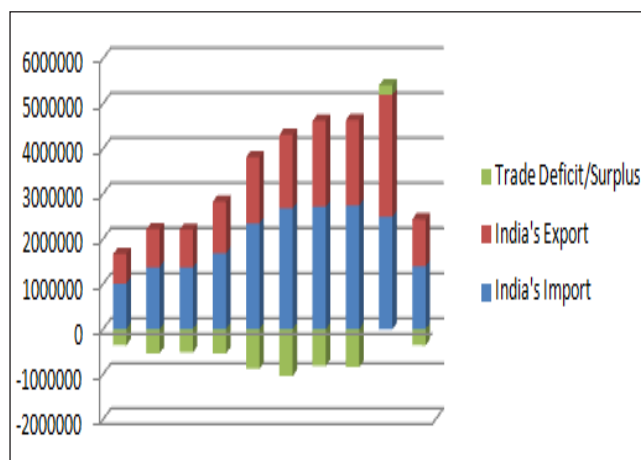


Table 2 explains trade deficit and surplus of exports & imports of India. This table indicates total exports of India and total imports of India from 2007-08 to 2016-17 in absolute terms as well as in relative terms. The total exports of India was increasing over the study period i.e. rs.655863cr in 2007-08 to rs.2704590cr in 2015-16 except 2016-17 where it was reduced by rs.1039797cr as compared to previous year of the study in absolute terms. The total imports of India was increasing over the study period i.e. rs.1012311cr in 2007-07 to rs.2490298cr in 2015-16 except 2016-17 where it was declined by rs.1396352cr as compared to previous year in absolute terms. There is trade deficit in India with china i.e. rs.-356448cr in 2007-08 to rs.-356555 in 2016-17 except 2015-16 where it was surplus in trade of rs.214292 over the study period in absolute terms.

Trade deficit/surplus in china (table 3)

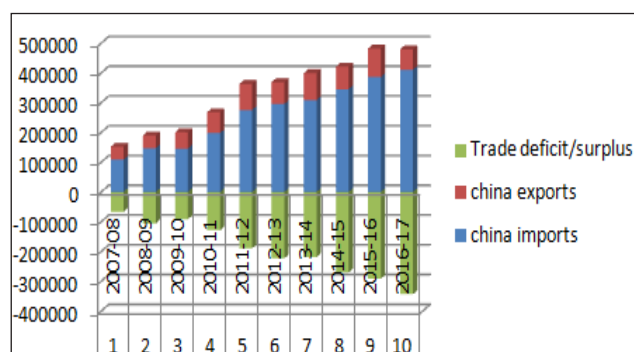


Table 3 indicates the trade deficit/surplus of china's exports & imports. This table explains total exports of china and total imports of china from 2007-08 to 2016-17 in absolute terms as well as in relative terms. The total exports of china was increasing continuously over the study period i.e. rs.43597cr in 2007-08 to rs.95450cr in 2015-16 except 2016-17 where it was decline by rs.68417cr as compared to

the previous year in absolute terms. The total imports of china were increasing continuously over the study periods i.e. rs.109116cr in 2007-08 to rs.411124cr in 2016-17 in absolute terms. There was trade deficit in china's trade i.e. rs.-65519 in 2007-08 to rs.-342707cr in 2016-17 over the study period in absolute terms.

Conclusion

The main purpose of this research has been to highlight the essential aspects affecting trade between these two progressing economies. In the present scenario of tremendous growth and increasing significance of bilateral trade relations, political, cultural and most of all, border issues play a major influential role in the carrying out of trade between the two countries. These two Asian giants continue to have an impressive cultural history and share some affinity, but also continue to bear brunt of a very complicated history. The border issue that has been under discussion and curtains of false promises on both ends continue to stagger the smooth flow of goods & services, and peaceful relation between two countries. Some experts believes that the border issue is a major obstacle in improving bilateral relations between the two countries, while others maintain that it is a minor issue and can be settled by the dialogues.

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