

Trade Beyond Borders: Decoding India-China Economic Relations

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Abstract

Original Research Article

India and China are prominent players in the rapidly growing economies of Asia. With a shared border spanning 3488 kilometers, the two nations have historically grappled with border disputes, leading to periodic violent clashes between their respective military forces. These skirmishes often evoke strong sentiments among the Indian populace, resulting in intensified boycotts of Chinese goods as a form of protest and economic reprisal. This paper aims to critically examine the trade relations between India and China, particularly in the context of trade restrictions on products originating from China, within the framework of their membership in the World Trade Organization (WTO). Drawing on data sourced from the United Nations Conference on Trade and Development (UNCTAD), trade indices such as the Export Share Index, Import Share Index, Import Category Index, and Origin Specific Import Category Index are calculated to shed light on the bilateral trade dynamics, mutual economic interdependence, and trade balance from the perspective of India. Analysis reveals a significant trade deficit for India vis-à-vis China, which has surged at an annual rate of 23.46 percent between 1995 and 2022. India's reliance on China extends beyond manufactured goods to encompass essential raw materials, particularly in sectors such as pharmaceuticals. Notably, China serves as the primary source for 23 out of 260 items and a major contributor to over 38 additional items in India's import portfolio. Rather than resorting to a trade war with China, which could yield adverse effects for both nations, it is suggested that India focus on bolstering infrastructure development, fostering a conducive business environment, improving ease of doing business, and investing in healthcare and education sectors. Such measures aim to stimulate industrial growth, harness skilled labor resources, and enhance employment opportunities for the populace at large.

Keywords: China, India, Trade Relations, Economic Relations.

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1. INTRODUCTION

Over the past three decades, the economies of China and India have emerged as pivotal drivers of economic growth within the Asian continent. According to the 2022 data released by the World Bank, India ranked fifth globally in terms of Gross Domestic Product (GDP), with a value of \$3.385 trillion, following closely behind Germany (\$4.072 trillion) and Japan (\$4.231 trillion). The United States and China occupy the top positions in this ranking, with GDP values of \$25.462 trillion and \$17.963 trillion, respectively (World Bank, 2023).

China and India share several commonalities, notably as the world's most populous nations, collectively representing approximately 35.31% of the global population and constituting 60% of Asia's population. Both countries are members of numerous international organizations, including the World Trade

Organization (WTO), BRICS, International Monetary Fund (IMF), World Bank, and United Nations (UN). India holds the distinction of being one of the founding members of the WTO, while China acceded to the organization in 2001, a milestone that heralded a new era of development and opportunities for international trade.

Following its accession to the WTO, China demonstrated remarkable performance in global trade, surpassing many trade-oriented economies in both exports and imports of goods, second only to the United States. This exceptional trade performance not only reshaped the direction and patterns of trade for many of China's trading partners but also significantly influenced the balance of trade worldwide. The repercussions of China's formidable trade prowess have been keenly felt in India, affecting the direction, patterns, and balance of its own trade.

In light of these developments, this paper endeavors to delve into the intricacies of trade relations between India and China, seeking to unravel the complexities and dynamics inherent in their economic interactions.

1.2 Review of Selected Literature

Chauhan and Kumar (2014a) conducted a comprehensive analysis of China's growth trajectory spanning from its pre-reform era to 2012. Their findings delineated the pivotal role of household consumption and capital formation in the pre-reform period, while highlighting the pronounced influence of trade and capital formation in the post-reform era, particularly subsequent to China's accession to the WTO. Lugauer and Mark (2013) corroborated these insights by identifying the significant contribution of China's high saving rate to capital accumulation, which emerged as a primary driver of the nation's economic expansion.

In assessing the sustainability of China's trade-oriented economic growth, Guo and Diaye (2009) underscored the necessity for maintaining low prices across various industries, cautioning against potential challenges in sustaining such conditions over the long term. Furthermore, Chauhan and Kumar (2014b) investigated the evolving trade competitiveness between India and China, revealing a diminishing trend in export competition between the two nations in the international market.

Delving deeper into the implications of China's WTO membership, Chauhan and Kumar (2014c) elucidated its impact on China's trade performance, shedding light on the transformative effects of this accession on the nation's trade dynamics. Singh (2014) contributed to this discourse by undertaking a comparative analysis of bilateral trade between India and China, aiming to glean insights for fostering future trade cooperation and economic relations between the two nations.

Examining the ramifications of the Indo-China trade relationship on India's GDP, Sahu (2018) provided valuable insights into the interconnectedness of trade dynamics and economic outcomes. Kalicharan and Daudel (2015) scrutinized the feasibility of mitigating trade deficits between India and China, identifying India's inadequate infrastructure and institutional weaknesses as inhibiting factors. They cautioned that without substantial improvements in export-friendly infrastructure and trade policies, the prevailing trade dynamics could disproportionately favor China.

This selective review of literature has served as a guiding framework, informing the research methodology adopted in the present paper and illuminating key avenues for further exploration and analysis.

1.3 Objective of the Study

The border between India and China spans approximately 3,488 kilometers, traversing regions such as Jammu and Kashmir, Himachal Pradesh, Uttarakhand, Sikkim, and Arunachal Pradesh. Persisting for decades, the territorial dispute between the two nations has engendered sporadic violent confrontations between their respective military forces. Such instances of heightened hostility often escalate into open armed conflicts, provoking a surge of indignation among the Indian populace. Consequently, there emerges a fervent inclination to intensify the boycott of Chinese goods within India's consumer market. This sentiment is underpinned by the recognition that China's foremost source of influence lies in its robust foreign trade relations. In the eyes of many Indians, this consumer boycott serves as a dual gesture—a means to voice dissent against China's policies and to administer an economic setback. Thus, a thorough examination of the mutual interdependence between the two nations, particularly from the perspective of India, becomes imperative.

2. RESEARCH METHODOLOGY

2.1 Source of Data

Secondary data have been used in this study. Time series data on merchandise trade (export and import) flows classified according to SITC Rev.3 at 3-digits code level have been sourced from UNCTAD Database for a period of 24 years from 1995 to 2018 for constructing Export Share Index and Import Share Index, Major Import Category Index and annual growth rates of trade flows.

2.2 Techniques

Export Share Index and Import Share Index: The Export Share Index and Import Share Index serve as critical indicators for evaluating the significance of specific trading partners within the overall export and import profiles of an economy, respectively. These indices offer insights into the evolving dynamics of economic integration over time.

The Export Share Index is calculated using the formula:

$$\text{Export Share Index} = \frac{X_{cd}}{X_{cw}} \times 100 \dots \dots \dots (1)$$

Where

X_{cd} = total export of country c to country d

X_{cw} = total export of country c to the world w.

Likewise, the Import Share tells us how important a particular trade partner is in terms of the overall import profile of an economy. Changes in the import share over time may indicate that the economies in question are becoming more integrated.

$$\text{Import Share Index} = \frac{M_{cd}}{M_{cw}} \times 100 \dots \dots \dots (2)$$

M_{cd} = total imports of country c from country d

M_{cw} = the total imports of country c from the world w.

Both indices range from zero to one hundred, with higher values indicative of greater significance attributed to the selected trading partner. In this study, these indices have been calculated for India vis-à-vis China.

Major Import Category Index: To discern the sectoral import profile of India, the Major Import Category Index is employed. This index delineates the percentage share of imports for specific product categories relative to the total imports of the country.

The Major Import Category Index is expressed as:

$$\text{Major Import Category Index} = \frac{m_i}{M} \times 100 \dots \dots (3)$$

m_i = import flow of commodity i by the country from the world

M = total import flow to the country from the world

This index ranges between zero and one hundred percent, with higher values indicative of greater importance attributed to the product within the economy's import profile.

Furthermore, India's origin-specific Import Category Index against China has been calculated in this study. This index provides insights into the extent to which Chinese products have penetrated the Indian market, ranging from zero, indicating no imports from China, to one hundred, representing complete dependency on China for the import of the respective product.

The calculation of this index is represented as:

$$\text{Origin Specific Import Category Index} = \frac{m_{ic}}{M_{iw}} \times 100 \dots \dots (4)$$

m_{ic} = import of commodity i by India from China.

M_{iw} = import of commodity i by India from the world.

3.1 Analysis of India-China Bilateral Trade

The trajectory of trade between India and China reveals a notable surge over the past two decades, underscoring a substantial increase in bilateral trade volumes. At the outset of the 21st century, in 2000, trade between the two nations stood at a modest \$2.206 billion, a figure that surged to \$117.442 billion by 2022. However, this escalating trade volume does not necessarily equate to equitable gains for both parties.

India predominantly exports a diverse array of commodities to China, including but not limited to cotton, copper, diamonds, and other natural gemstones, pharmaceuticals, IT services, and engineering services. Additionally, India's export portfolio encompasses agricultural products such as rice, sugar, various fruits and vegetables, meat products, as well as cotton yarn and textiles. Notably, India also procures essential raw materials for various goods, including pharmaceuticals, from China.

Despite the burgeoning trade relationship, a significant trade imbalance persists between India and China, with India grappling with its largest trade deficit vis-à-vis China compared to any other trading partner. This imbalance is indicative of India's substantial imports from China juxtaposed with relatively limited exports to the nation. While envisioning complete trade restrictions between the two countries may seem implausible, contemplating such a scenario underscores the necessity for India to explore alternative, cost-effective sources for goods currently imported from China. Figures 1, 2, and 3, along with Tables 1 and 2, provide visual representations and detailed data elucidating the nuances of India-China bilateral trade dynamics, facilitating a comprehensive understanding of the prevailing trade landscape.

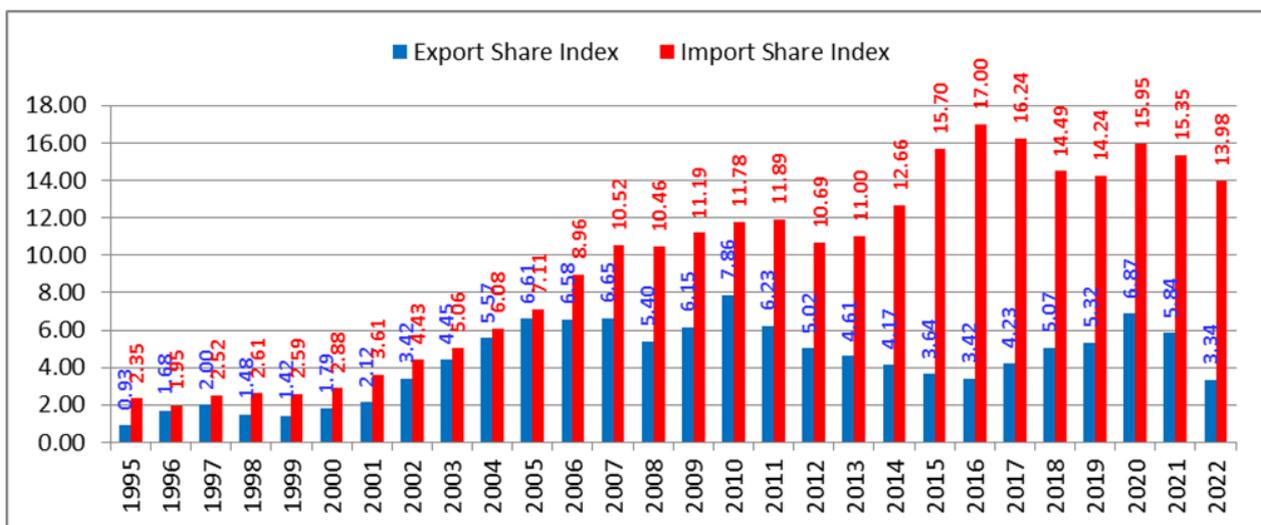


Figure 1: Export Share Index and Import Share Index of India against China since 1995 to 2022

Source: IMF DOTS

The Export Share Index and Import Share Index of India in relation to China from 1995 to 2022 are depicted in Figure 1, signaling a discernible strengthening of trade relations between the two nations over the past twenty-seven years. In 1995, India's imports from China constituted a meager 2.35% of its total merchandise imports, as indicated by the red bars in the figure. However, this proportion steadily escalated over time, with China emerging as India's foremost import partner by 2022, accounting for 13.98% of India's total imports. Notably, this share surged markedly after China's accession to the World Trade Organization (WTO) in 2001, which catalyzed a transformative shift in global trade dynamics, including those of India. By 2006, China supplanted the United States to become India's second-largest import origin, a position further solidified in subsequent years, culminating in China's current status as India's primary import source.

Conversely, India's exports to China also experienced an upward trajectory during this period, albeit less pronounced compared to imports. In 1995, India's exports to China comprised a mere 0.93% of its total merchandise exports, depicted by the blue bars in the figure. This share expanded steadily until 2010, peaking at 7.85% of India's total exports, before declining to 3.42% by 2016. Throughout this period, India consistently incurred a negative balance of trade (BOT) with China, indicative of an import surplus. Table 1 provides a comprehensive overview of the balance of trade in goods between India and China, revealing the stark reality of their bilateral trade dynamics.

The data presented in Table 1 underscores significant growth in India's imports from and exports to the world, increasing by 21.22 times and 14.84 times,

respectively, from 1995 to 2022. However, India's trade deficit with the world also soared during this period, expanding by 70.52 times. Importantly, India's imports from China surged by 126.06 times, while exports to China grew by 53.53 times, contributing significantly to India's overall trade deficit. Notably, India's trade deficit with China increased by 164.89 times, from \$0.811 billion in 1995 to \$87.152 billion in 2022, representing a substantial portion of India's total trade deficit.

The magnitude of India's trade deficit against China is exemplified by its proportion relative to India's defense budget, surpassing \$70 billion in 2022. This deficit, amounting to 31.27% of India's total trade deficit against the world, underscores the significant economic implications of India's trade relationship with China. Notably, the trade deficit against China surged at a formidable rate of 23.46% per annum, highlighting the urgency of addressing this imbalance in bilateral trade relations.

An in-depth exploration of the specific commodities contributing to India's trade deficit vis-à-vis China sheds light on the underlying dynamics of their bilateral trade relationship. To elucidate this, we have computed the Major Import Category Index of India, focusing on commodities classified under the Standard International Trade Classification (SITC) Revision 3, encompassing over 260 items at the three-digit code level. Utilizing a pragmatic approach, we prioritized items with a trade value exceeding one billion dollars in the year 2018, identifying a subset of 85 items accounting for over 88% of India's total merchandise imports. The remaining items collectively constitute approximately ten percent of

Table 1: India's Balance of Trade against China and the World from 1995 to 2022

YEAR	India's Import from China	India's Export to China	BOT against China	India's Import from World	India's Export to World	BOT against the World	Percentage share of China in India's BOT
1995	811.47	282.92	528.55	34486.53	30534.38	3952.15	13.37
1996	702.08	542.48	159.60	36054.76	32322.36	3732.40	4.28
1997	1028.70	692.20	336.50	40896.43	34622.08	6274.35	5.36
1998	1102.35	499.90	602.45	42162.08	33665.15	8496.93	7.09
1999	1240.03	511.05	728.98	47900.50	35921.63	11978.88	6.09
2000	1448.60	758.23	690.38	50259.70	42463.55	7796.15	8.86
2001	1809.15	915.57	893.58	50129.32	43182.53	6946.79	12.86
2002	2603.13	1719.60	883.53	58811.45	50333.49	8477.96	10.42
2003	3737.92	2710.18	1027.74	73931.35	60931.35	13000.00	7.91
2004	6073.29	4178.48	1894.81	99815.19	75045.79	24769.39	7.65
2005	9925.53	6473.30	3452.24	139666.62	97897.85	41768.78	8.27
2006	15812.51	7910.25	7902.26	176526.42	120156.18	56370.25	14.02
2007	24691.96	10195.07	14496.88	234639.50	153348.71	81290.80	17.83
2008	33606.08	10536.51	23069.57	321398.91	195055.03	126343.88	18.26
2009	28839.64	10154.95	18684.69	257649.43	165188.40	92461.04	20.21
2010	41332.61	17518.98	23813.63	350779.96	222901.43	127878.53	18.62
2011	55299.34	19113.15	36186.19	465020.23	307001.08	158019.15	22.90
2012	52407.20	14904.00	37503.20	490385.97	297142.60	193243.37	19.41

YEAR	India's Import from China	India's Export to China	BOT against China	India's Import from World	India's Export to World	BOT against the World	Percentage share of China in India's BOT
2013	51456.48	14516.98	36939.50	467935.20	315022.40	152912.80	24.16
2014	58279.59	13251.99	45027.60	460360.49	317674.46	142686.03	31.56
2015	61592.82	9689.94	51902.88	392215.22	266123.75	126091.48	41.16
2016	60539.51	8946.78	51592.73	356208.13	261823.49	94384.64	54.66
2017	71955.71	12520.12	59435.59	442974.39	296170.73	146803.66	40.49
2018	73759.00	16397.29	57361.71	508980.58	323241.51	185739.07	30.88
2019	68344.55	17271.26	51073.29	479868.82	324830.13	155038.69	32.94
2020	58700.61	18921.63	39778.98	368026.94	275589.57	92437.37	43.03
2021	87481.74	23044.28	64437.46	570020.14	394463.71	175556.43	36.70
2022	102297.35	15144.85	87152.50	731907.82	453196.57	278711.25	31.27
How Many Times	126.06	53.53	164.89	21.22	14.84	70.52	
Annual Growth Rates (%)	20.18	15.39	23.46	11.98	10.91	15.60	
Source: IMF DOTS							
Figure in US Dollars, Millions							

India's import portfolio. These findings are presented in Table 2, arranged in descending order according to the absolute value of imports in 2018.

Table 2: India's Product wise Import from the World and China

India's Import from World	Years	1995 WA		How many times increased	1995 WS		1995 CNA		How many times increased	1995 CNS	
		1995 WA	2018 WA		1995 WS	2018 WS	1995 CNA	2018 CNA		1995 CNS	2018 CNS
Petroleum oils, oils from bitumin. materials, crude	S3-333	3.28	107.26	32.69	8.97	21.13	NA	NA	#VALUE	NA	NA
Gold, non-monetary (excluding gold ores and concentrates)	S3-971	0.30	32.39	107.71	0.82	6.38	0.00	0.03	8.02	1.12	0.08
Pearls, precious & semi-precious stones	S3-667	3.07	29.11	9.49	8.38	5.73	0.00	0.05	139.66	0.01	0.18
Coal, whether or not pulverized, not agglomerated	S3-321	0.70	22.12	31.55	1.92	4.36	0.02	0.02	1.12	2.88	0.10
Parts, accessories for machines of groups 751, 752	S3-759	0.22	14.63	67.71	0.59	2.88	0.00	8.07	4347.47	0.86	55.14
Cathode valves & tubes	S3-776	0.53	12.17	23.10	1.44	2.40	0.01	5.29	484.85	2.07	43.49
Telecommunication equipment, n.e.s.; & parts, n.e.s.	S3-764	0.51	11.09	21.89	1.38	2.18	0.02	4.05	265.18	3.01	36.52
Natural gas, whether or not liquefied	S3-343	0.00	10.86	718158.0	0.00	2.14	NA	NA	#VALUE	NA	NA
Automatic data processing machines, n.e.s.	S3-752	0.31	7.14	23.17	0.84	1.41	0.00	3.67	2145.00	0.56	51.51
Liquefied propane and butane	S3-342	0.17	6.41	37.26	0.47	1.26	NA	0.00	#VALUE	NA	0.00
Fixed vegetable fats & oils, crude, refined, fract.	S3-422	0.52	5.59	10.74	1.42	1.10	0.00	0.00	5.93	0.03	0.01
Fertilizers (other than those of group 272)	S3-562	1.47	5.43	3.70	4.01	1.07	0.00	1.78	95444.74	0.00	32.76
Measuring, analysing & controlling apparatus, n.e.s.	S3-874	0.48	5.26	10.88	1.32	1.04	0.00	0.62	200.12	0.64	11.70
Parts & accessories of vehicles of 722, 781, 782, 783	S3-784	0.34	5.00	14.58	0.94	0.98	0.00	0.92	3249.45	0.08	18.46

India's Import from World	Years	1995-2018			1995-2018			1995-2018			
		1995 WA	2018 WA	How many times increased	1995 WS	2018 WS	1995 CNA	2018 CNA	How many times increased	1995 CNS	2018 CNS
Electrical machinery & apparatus, n.e.s.	S3-778	0.30	4.94	16.43	0.82	0.97	0.01	2.24	231.88	3.22	45.38
Petroleum oils or bituminous minerals > 70 % oil	S3-334	0.50	4.81	9.66	1.36	0.95	0.01	0.01	1.62	1.11	0.19
Hydrocarbons, n.e.s., & halogenated, nitr. derivative	S3-511	0.74	4.67	6.28	2.03	0.92	0.03	0.44	14.82	3.99	9.42
Apparatus for electrical circuits; board, panels	S3-772	0.32	4.58	14.13	0.89	0.90	0.00	1.16	331.03	1.08	25.25
Other machinery for particular industries, n.e.s.	S3-728	0.74	4.52	6.08	2.03	0.89	0.01	1.22	93.71	1.76	27.09
Silver, platinum, other metals of the platinum group	S3-681	0.31	4.43	14.15	0.86	0.87	0.00	0.31	735.79	0.13	6.96
Other plastics, in primary forms	S3-575	0.31	4.41	14.27	0.84	0.87	0.00	0.75	1220.79	0.20	17.09
Fixed vegetable fats & oils, crude, refined, fractio.	S3-421	0.18	4.41	25.17	0.48	0.87	0.00	0.00	0.16	1.66	0.01
Inorganic chemical elements, oxides & halogen salts	S3-522	0.90	4.38	4.86	2.47	0.86	0.02	0.54	30.44	1.97	12.33
Aircraft & associated equipment; spacecraft, etc.	S3-792	0.46	4.15	8.99	1.26	0.82	0.00	0.01	3826.09	0.00	0.19
Copper	S3-682	0.50	3.94	7.83	1.38	0.78	0.00	0.20	114.69	0.34	5.02
Carboxylic acids, anhydrides, halides, per.; derivati.	S3-513	0.28	3.90	13.86	0.77	0.77	0.01	1.51	112.99	4.76	38.78
Fruits and nuts (excluding oil nuts), fresh or dried	S3-057	0.30	3.73	12.48	0.82	0.73	0.00	0.01	1.71	1.21	0.17
Organo-inorganic, heterocycl. compounds, nucl. acids	S3-515	0.17	3.70	21.80	0.46	0.73	0.02	2.45	104.34	13.83	66.22
Miscellaneous chemical products, n.e.s.	S3-598	0.18	3.60	19.56	0.50	0.71	0.00	0.65	138.31	2.54	17.96
Ships, boats & floating structures	S3-793	0.23	3.51	15.45	0.62	0.69	0.00	0.71	82171.70	0.00	20.24
Non-ferrous base metal waste and scrap, n.e.s.	S3-288	0.31	3.45	11.08	0.85	0.68	0.00	0.00	1.59	0.45	0.07
Alcohols, phenols, halogenat., sulfonat., nitrat. der.	S3-512	0.15	3.34	21.69	0.42	0.66	0.02	0.40	24.25	10.65	11.91
Ferrous waste, scrape; remelting ingots, iron, steel	S3-282	0.36	3.21	8.92	0.98	0.63	0.00	0.01	4.34	0.48	0.23
Medicinal and pharmaceutical products, excluding 542	S3-541	0.34	3.01	8.93	0.92	0.59	0.07	1.62	22.43	21.39	53.75
Nitrogen-function compounds	S3-514	0.22	2.99	13.37	0.61	0.59	0.03	1.70	61.91	12.30	56.94
Pumps (excluding liquid), gas compressors & fans; centr.	S3-743	0.29	2.98	10.13	0.80	0.59	0.00	1.00	776.06	0.44	33.42
Heating & cooling equipment & parts thereof, n.e.s.	S3-741	0.36	2.92	8.05	0.99	0.57	0.00	1.21	567.16	0.59	41.51
Engines & motors, non-electric; parts, n.e.s.	S3-714	0.18	2.88	15.69	0.50	0.57	NA	0.07	#VALUE	NA	2.44
Manufactures of base metal, n.e.s.	S3-699	0.14	2.87	20.59	0.38	0.56	0.00	0.98	357.78	1.97	34.30
Paper and paperboard	S3-641	0.44	2.73	6.22	1.20	0.54	0.02	0.45	20.94	4.87	16.39

India's Import from World	Years	1995		2018		How many times increased		1995		2018		How many times increased	
		WA	WA	WS	WS	CNA	CNA	CNS	CNS				
Copper ores and concentrates; copper mattes, cemen	S3-283	0.01	2.70	195.96	0.04	0.53	NA	0.00	#VALU E	NA	0.07		
Flat-rolled products of alloy steel	S3-675	0.30	2.61	8.65	0.82	0.51	0.00	0.54	1955.88	0.09	20.87		
Internal combustion piston engines, parts, n.e.s.	S3-713	0.28	2.57	9.26	0.76	0.51	0.00	0.34	744.67	0.16	13.19		
Aluminium	S3-684	0.26	2.56	9.86	0.71	0.50	0.00	0.92	1168.71	0.30	35.93		
Residual petroleum products, n.e.s., related mater.	S3-335	0.13	2.52	19.97	0.34	0.50	0.01	0.36	61.33	4.60	14.12		
Pulp and waste paper	S3-251	0.28	2.50	8.89	0.77	0.49	0.00	0.02	12.01	0.68	0.92		
Polymers of ethylene, in primary forms	S3-571	0.28	2.48	8.85	0.77	0.49	0.00	0.03	98.98	0.10	1.17		
Coke & semi-cokes of coal, lign., peat; retort carbon	S3-325	0.12	2.45	20.11	0.33	0.48	0.10	0.82	8.44	79.38	33.31		
Textile & leather machinery, & parts thereof, n.e.s.	S3-724	1.01	2.43	2.40	2.76	0.48	0.01	0.97	129.15	0.74	40.00		
Electric power machinery, and parts thereof	S3-771	0.13	2.27	17.75	0.35	0.45	0.00	0.85	354.07	1.88	37.59		
Polymers of vinyl chloride or halogenated olefins	S3-573	0.06	2.26	34.72	0.18	0.44	0.00	0.21	4458.83	0.07	9.13		
Other organic chemicals	S3-516	0.19	2.12	11.18	0.52	0.42	0.03	1.05	37.26	14.82	49.39		
Civil engineering & contractors' plant & equipment	S3-723	0.17	2.10	12.29	0.47	0.41	0.01	0.69	56.07	7.22	32.94		
Television receivers, whether or not combined	S3-761	0.02	2.06	91.43	0.06	0.41	0.00	0.97	1746.64	2.46	47.04		
Flat-rolled prod., iron, non-alloy steel, not coated	S3-673	0.60	1.95	3.25	1.64	0.38	0.01	0.14	26.97	0.84	6.96		
Polyethers, epoxide resins; polycarbonat., polyesters	S3-574	0.10	1.93	19.39	0.27	0.38	0.01	0.38	53.33	7.12	19.57		
Plates, sheets, films, foil & strip, of plastics	S3-582	0.08	1.88	22.98	0.22	0.37	0.00	0.76	302.33	3.07	40.40		
Tubes, pipes & hollow profiles, fittings, iron, steel	S3-679	0.27	1.77	6.60	0.73	0.35	0.00	0.85	387.13	0.82	48.12		
Sound recorders or reproducers	S3-763	0.02	1.72	86.80	0.05	0.34	0.00	0.81	3010.89	1.35	46.90		
Pigments, paints, varnishes and related materials	S3-533	0.09	1.69	19.61	0.24	0.33	0.00	0.37	199.04	2.13	21.66		
Mechanical handling equipment, & parts, n.e.s.	S3-744	0.19	1.68	8.76	0.53	0.33	0.00	0.70	294.44	1.24	41.54		
Rotating electric plant & parts thereof, n.e.s.	S3-716	0.50	1.66	3.32	1.36	0.33	0.00	0.73	283.73	0.51	43.86		
Instruments & appliances, n.e.s., for medical, etc.	S3-872	0.13	1.63	12.55	0.36	0.32	0.00	0.23	548.71	0.33	14.37		
Articles, n.e.s., of plastics	S3-893	0.18	1.58	8.79	0.49	0.31	0.00	0.64	649.61	0.55	40.36		
Appliances for pipes, boiler shells, tanks, vats, etc.	S3-747	0.13	1.50	11.29	0.36	0.30	0.00	0.32	1756.07	0.14	21.60		
Aluminium ores and concentrates (incl. alumina)	S3-285	0.01	1.45	125.14	0.03	0.29	0.00	0.26	60.83	37.17	18.07		
Machine-tools working by removing material	S3-731	0.26	1.42	5.36	0.72	0.28	0.00	0.15	31.61	1.80	10.62		
Equipment for distributing electricity, n.e.s.	S3-773	0.12	1.41	12.26	0.31	0.28	0.00	0.52	395.88	1.13	36.49		
Transmis. Shafts	S3-748	0.18	1.34	7.53	0.49	0.26	0.00	0.35	194.92	1.01	26.20		
Textile yarn	S3-651	0.16	1.32	8.28	0.44	0.26	0.01	0.55	39.76	8.73	41.94		
Other non-electr. machinery, tools & mechan. appar.	S3-745	0.12	1.31	10.52	0.34	0.26	0.00	0.40	1377.94	0.23	30.64		

India's Import from World	Years	World			China			China			
		1995 WA	2018 WA	How many times increased	1995 CNA	2018 CNA	How many times increased	1995 CNS	2018 CNS		
Insecticides & similar products, for retail sale	S3-591	0.04	1.31	36.16	0.10	0.26	0.00	0.79	174.82	12.59	60.87
Ball or roller bearings	S3-746	0.15	1.29	8.57	0.41	0.25	0.00	0.55	280.85	1.30	42.72
Medicaments (incl. veterinary medicaments)	S3-542	0.07	1.29	18.80	0.19	0.25	0.00	0.04	10.30	6.19	3.39
Special yarn, special textile fabrics & related	S3-657	0.12	1.29	10.79	0.33	0.25	0.00	0.71	210.40	2.82	55.05
Pumps for liquids	S3-742	0.14	1.28	9.16	0.38	0.25	0.00	0.24	333.44	0.51	18.66
Flat-rolled prod., iron, non-alloy steel, coated, clad	S3-674	0.11	1.26	11.64	0.30	0.25	0.00	0.18	31309.67	0.01	13.93
Pig iron & spiegeleisen, sponge iron, powder & granu	S3-671	0.18	1.24	6.95	0.49	0.24	0.01	0.14	12.73	6.00	10.98
Electro-diagnostic appa. for medical sciences, etc.	S3-774	0.13	1.23	9.47	0.36	0.24	0.00	0.25	908.59	0.21	20.00
Mineral manufactures, n.e.s.	S3-663	0.06	1.18	18.35	0.17	0.23	0.00	0.63	1676.22	0.59	53.67
Synthetic rubber	S3-232	0.12	1.16	9.62	0.33	0.23	0.00	0.04	119.27	0.29	3.54
Tools for use in the hand or in machine	S3-695	0.08	1.12	14.34	0.21	0.22	0.00	0.30	101.29	3.74	26.42
Furniture & parts	S3-821	0.01	1.11	112.90	0.03	0.22	0.00	0.51	7438.69	0.70	46.02
Miscellaneous manufactured articles, n.e.s.	S3-899	0.06	1.08	17.26	0.17	0.21	0.01	0.34	45.95	12.05	32.07
Iron & steel bars, rods, angles, shapes & sections	S3-676	0.12	1.01	8.11	0.34	0.20	0.00	0.29	272.06	0.86	28.84
Source: UNCTAD Data Centre					79.01	88.69					
1995 WA- Value of imports from the world by India in 1995 2018 WA -Value of imports from the world by India in 2018 1995WS- Share of the corresponding goods/items in total imports from the world by India in 1995 2018WS- Share of the corresponding goods/items in total imports from the world by India in 2018 1995 CNA- Value of imports from China by India in 1995 2018 CNA- Value of imports from China by India in 2018 1995 CNS- Share of the corresponding goods/items in total imports of the same good(s)/item(s) from China by India in 1995 2018CNS- Share of the corresponding goods/items in total imports of the same good(s)/item(s) from China by India in 2018 Value of imports are in billion USD How many times increased = 2018WA÷1995WA and 2018CNA÷1995CNA											

Table 2 underscores the dominance of certain key commodities within India's import profile. Foremost among these is "petroleum oils and oils obtained from bituminous minerals, crude" (S3-333), representing the largest import category in India, with imports totaling US\$ 107.25 billion in 2018, constituting 21.13% of India's total merchandise imports. Subsequent significant import categories include "gold, non-monetary (excluding gold ores and concentrates)" (971), "pearls, precious & semi-precious stones" (S3-667), "coal, whether or not pulverized, but not agglomerated" (S3-321), "parts and accessories suitable for use solely or principally with machines falling within groups 751 and 752" (S3-759), "cathode valves & tubes" (S3-776), "telecommunications equipment, n.e.s., and parts" (S3-764), and "natural gas, whether or not liquefied" (S3-343), among others. These commodities exhibit varying shares in India's total merchandise imports, ranging from 6.38% to 2.14%, as depicted in Figure 2.

Figure 3 provides an insightful portrayal of China's percentage share in India's product-wise imports from the world, offering a glimpse into a subset of major import categories derived from Table 2, with a comprehensive list provided therein. Notably, China emerges as the largest source for 23 items and a major source for over 38 items in India's import spectrum. A marked escalation is observed in the import volumes of these items since 1995, exemplified by notable instances of exponential growth. For instance, India's import of parts and accessories for machines of groups 751 and 752 (S3-759) from the world surged from US\$ 0.22 billion in 1995 to US\$ 14.63 billion in 2018, representing a remarkable 67.71-fold increase. A strikingly higher growth trajectory is observed in imports of the same item from China, surging by 4347.47 times during the same period, from US\$ 1.86 million to US\$ 8.07 billion.

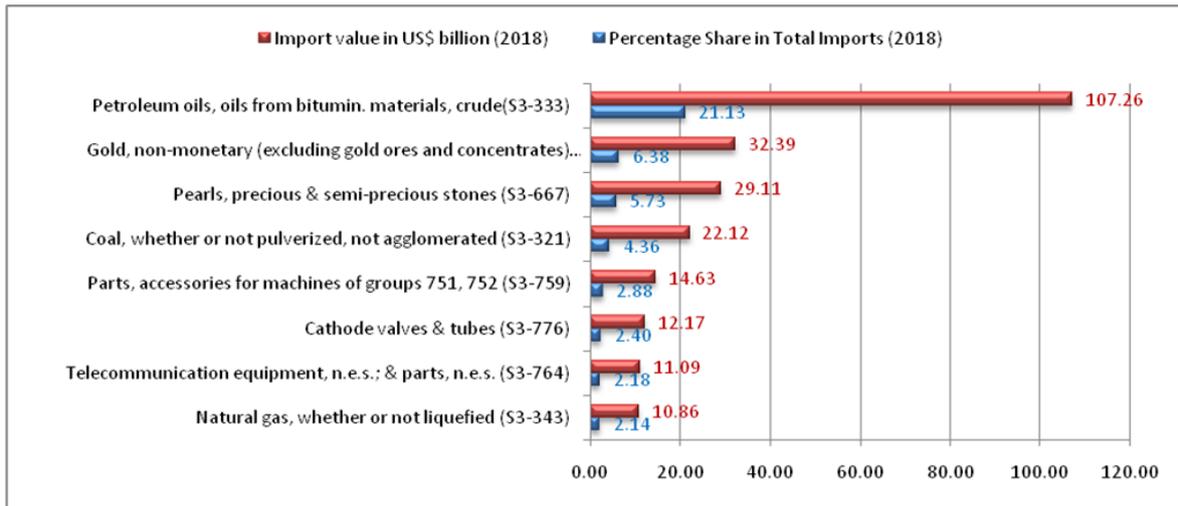


Figure 2: Import Category Index of India (2018)
Source: UNCTAD Data Centre

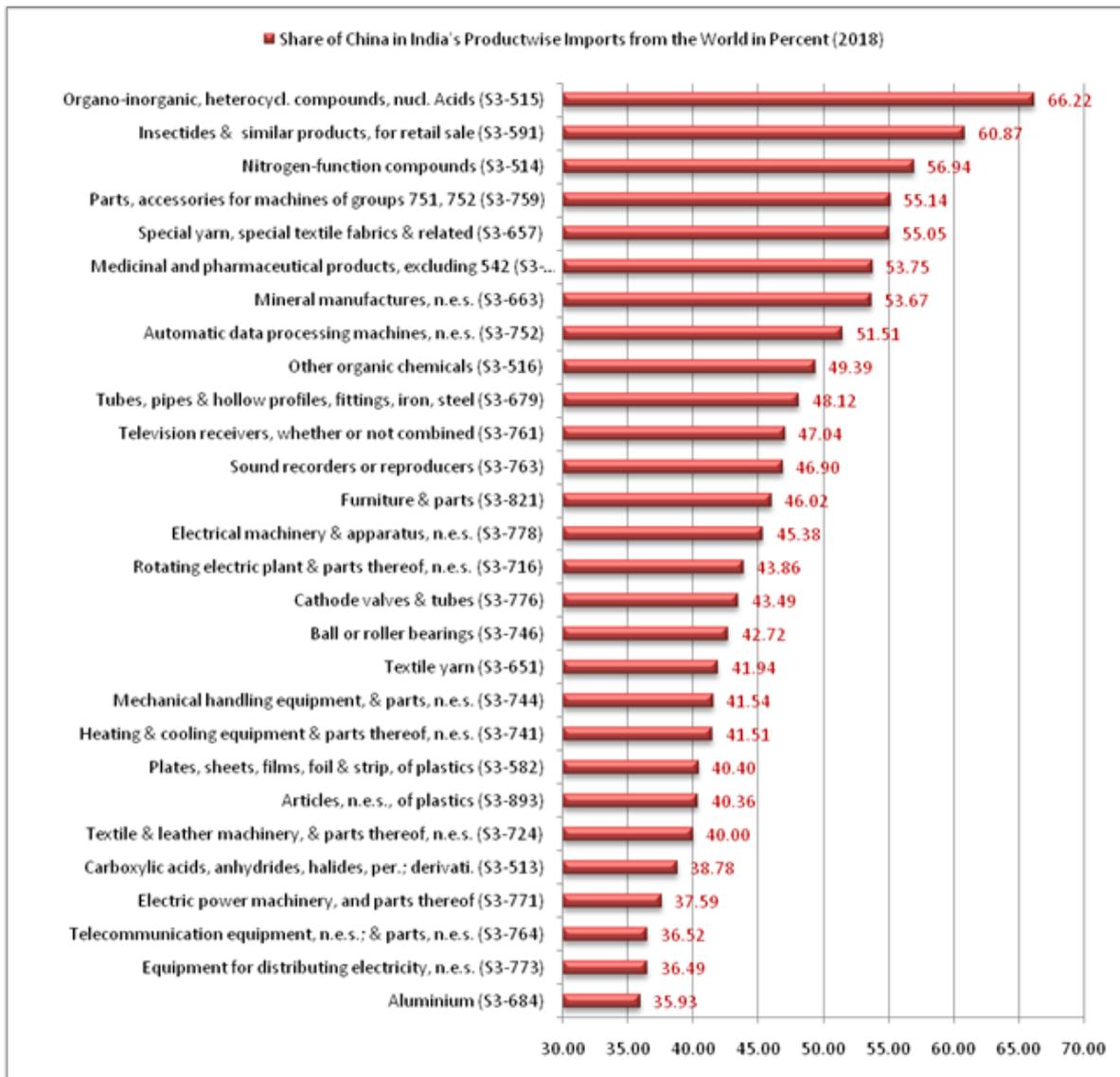


Figure 3: India's Major Imports from China (2018)
Source: UNCTAD Data Centre

This trend is mirrored across various other items, underscoring the inundation of Chinese goods in the Indian market over the past twenty-seven years, contributing significantly to India's burgeoning trade deficit with China as well as the world. Despite India's membership in the World Trade Organization (WTO), constraints on restricting imports of Chinese goods pose formidable challenges. By 2018, the entrenchment of trade relations between the two nations has reached unprecedented levels, rendering disengagement a complex endeavor fraught with numerous impediments.

The domestic manufacturing landscape in India has witnessed a perceptible decline, exacerbated by an import reliance on Chinese goods, surpassing exports by sevenfold. Notably, key sectors such as office machines, automatic data-processing machines, telecommunications equipment, and pharmaceuticals witness substantial imports from China, with import volumes witnessing exponential growth since 1995. Additionally, India's import dependency extends to a diverse array of commodities ranging from iron and steel to defense equipment, rendering the proposition of boycotting Chinese imports impractical.

China's ascendancy as a global manufacturing hub underscores its dominance in supplying goods for renowned multinational corporations. The allure of low-priced Chinese products has rendered many Indian producers marginalized, perpetuating a cycle wherein domestically manufactured goods are overshadowed by cheaper Chinese alternatives bearing the "Made in China" label.

While perceptions regarding Chinese product quality and durability persist, India stands poised to capitalize on opportunities to enhance its manufacturing prowess and augment product quality. As China grapples with quality concerns amidst its dominance in the global market, India's strategic focus on bolstering productivity and expanding its manufacturing base holds the key to establishing competitive advantages in the global arena.

4. SUGGESTIONS AND CONCLUSIONS

India's export sector holds significant strategic importance for fostering economic growth and enhancing global competitiveness. Over time, India's exports to China have witnessed an upward trajectory, positioning China as the fourth-largest destination for Indian exports, following the European Union (28), the United States, and the United Arab Emirates. However, it is noteworthy that India's exports to China, constituting 3.3% of its total goods exports, represent less than one percent of China's total merchandise imports. Conversely, China's exports to India in 2018 amounted to US\$ 76.363 billion, accounting for 3.071% of its total merchandise exports. These figures underscore the interdependency between the two nations, driven by their membership in the World Trade Organization (WTO) and mutual economic interests, mitigating the possibility

of comprehensive trade restrictions barring certain anti-dumping measures.

The sustained economic growth achieved by any nation, particularly at rates of 9–10% over two decades or more, hinges upon establishing a robust presence in the global marketplace. China's remarkable ascent from an agro-based economy to a modern industrial powerhouse underscores this trajectory, exemplified by its exponential growth in the world textile export market, which shows that its share increased from 7.22% in 1992 to 36.52% in 2016. In contrast, India's export share in the same product category has exhibited more modest growth, underscoring the imperative for India to foster an export-centric ecosystem conducive to high growth rates and employment generation.

The Micro, Small, and Medium Enterprises (MSME) sector in India plays a pivotal role in the country's export landscape, contributing approximately 34% of national exports. While MSMEs offer potential for sustainable employment (110 million jobs), their productivity levels often fall short of facilitating substantial economic growth. To address this, India must prioritize the adoption of energy-efficient, cost-effective, and high-output machinery to bolster productivity within the MSME sector (Government of India, 2023). Additionally, fostering an enabling environment for medium and large-scale industries, characterized by flexibility in labor and land markets, is imperative to drive export growth.

In conclusion, India's trajectory towards enhancing export competitiveness necessitates concerted efforts to augment productivity, foster innovation, and cultivate a conducive regulatory environment. By leveraging its strengths and addressing inherent challenges, India can position itself as a formidable player in the global marketplace, driving sustainable economic growth and prosperity.

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