Chapter II
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The review of literature related to the research topic has been taken in this chapter.

Gopalan R. (2001)\textsuperscript{1} has analysed that except in petroleum products and nonelectrical machinery, the productivity of a Chinese worker is higher than that of an Indian worker by anywhere from 30 percent to 180 percent, depending on the product. Of course, these estimates must be treated with caution, given a number of factors including the heterogeneity of labour and of products within broad manufacturing sectors; possible biases in the exchange rate used to convert each country’s output (or the value added in domestic prices) to dollars; and the fact the comparison is confined to the productivity of a single factor, namely, labour. Gopalan has also made cost comparisons for Chinese and Indian manufactured goods, some of which both countries sell in third markets and some of which China exports to India. These comparisons indicate that China has lower costs in many products than India; though once again, one has to keep in mind that the exchange rates used might be distorted. It is no surprise that China has gained, and India has lost, market shares in third markets. Unless India catches up and becomes internationally competitive this trend is likely to continue in the future.

Bottelier (2003)\textsuperscript{2} has pointed out that in exports of commercial services; India lags behind China, being the 19\textsuperscript{th} largest exporter, with a share of 1.5\%. Although growth of china’s service and merchandise exports far outpace average growth of world exports, its merchandise exports grew much faster than service exports, so that the share of service

\textsuperscript{1} Gopalan R. (2001).  
\textsuperscript{2} Bottelier (2003)
exports in total exports has fallen to one of the lowest such ration for any major country. He analysed that, in contrast, India’s service exports are growing at about double the rate of its merchandise exports, and if current trends continue, the share of service exports in total exports will exceed 50% in a decade.

Amita Batra and Zeba Khan in their working paper “Revealed comparative advantage an analysis for India and China” (2005)³ has focused on India-China relations. This paper is the first to attempt a systematic evaluation of the similarities of the patterns of revealed comparative advantage for India and China in the global market. The study is timely as India has made an extensive effort to liberalize its international trade since 1991. The fact that increased trade integration of China over the past few years. This development is relevant to India, as China and India are not just similar in size but also in factor endowments. It is important therefore, to explore the extent of similarity in the patterns of comparative advantage for the two economies.

Dr.shrivastava and Dr. Joshi (2005)⁴ have studied India-China relations. Prime Minister Chao-En Lai was the architect of modern China. He felt that the rift with India was not going to help China as India was destined to be flourishing democracy in future. On April 14, 1976 the diplomatic relations between the two countries were resumed. In 1978, Mr. Atal Bihari Vajpai, the minister for External affairs went to paking to further normalize the relations. It was felt that the Government of Hua feng might settle the border dispute, the only stumbling block in Sino-Indian relations, through bilateral conferences. Ever since the little warming up of Sino-Indian relations in 1978-79 trade, more particularly Indians exports, have shot up. India’s exports to China stood at Rs.19 million in 1977-78. It
reached Rs.187 million in 1979. China also interested in further enhancing the import of iron ore from India.

Bhattacharya S.K. and Bhattacharyay B.N. (2007) have attempted to analyse gains and losses of India–China trade cooperation. In their opinion India and China have strong historical and cultural links. These two countries are rapidly growing in the Asia. India is lagging behind China in many macroeconomic indicators. The economic reforms were initiated in China in 1978. The FDI flows is nearly ten times more in China than that of India.

The observations made by the authors in their working paper about India-trade cooperation are as follows:

1) The tariff levels are asymmetrically distributed between India and China.
2) There should be proper agreement between India and China relating to trade so that gains and losses of both sides can be balanced.
3) Trade cooperation between India and China can foster intra-regional trade and outward-oriented development.
4) FTA between India and China certainly is in favour of China. This is disadvantageous to India at least in the short run. This has happened due to high tariff regime in India and low tariff regime in China.

Qureshi Mahvash saeed and Wan Guanghua (2008), have studied trade expansion of India and China in their paper. The authors have assessed the trade performances of India and China on the basis of competitiveness and complementarity between these two countries. In the third market India faces stiff competition from China especially in textile, clothing and leather products. China has tremendous potential in the manufacturing sector and China is playing dominant role at the global
market. It poses a challenges not only for the East Asia economic but also for United States and European economies. There is moderate potential for improving the trade relations between India and China. In the changing circumstances the China has changed its export strategy. China has given importance to medium to high technology products in exports. China has also concentrated on low technology industries. India also specializes in low technology products. India has huge potential to compete for its neighbouring South Asian countries. The South Asian countries are focusing on traditional exports. These countries are having less diversified export base. The authors further analysed that there is tremendous potential for increasing trade between India and China. The trade competition and complementarity of India and China have been changing according to the changing circumstances.

Dr. Surya Narain Yadav and Dr. Indu Baghel (2009)\textsuperscript{7} has highlighted India-China bilateral relations. Economic ties between china and India have accelerated steadily over the past decade. Bilateral trade was $260 million in 1990; by 2006, it reached to $ 25 million, making china India’s second largest trading partner and India China’s tenth-largest partner. In July 2006, China’s only direct trade link with India was reopened after 44 years along the Nathu La pass on border between India’s Sikkim state and China’s Tibet anonymous Region. Both states have pledged to increase bilateral trade to $ 40 billion by 2010. With bilateral trade surging by more than 30 per cent annually since 2004. China’s may soon overtake the united states as India’s leading trade partner. Yet, the growth in bilateral trade is no larger than china’s growing trade with other countries and region; China accounts for 5 per cent of India’s total trade volume, while India accounts for a mere 0.8 per cent of China’s trade.
Gupta K. R. (2009)\(^8\) has also focused on India–China relations. India-China relations have gone through a tortuous process from friendship to normalization. The relations have been growing in a substantive manner in recent years. When discussing relations between the two countries, one has to recognize the differential priorities in each country. China remains a country of top priority in India’s foreign policy, probably next only to her relations with Pakistan and Russia and more recently, the USA. The bilateral trade between China and India was initiated in 1951, and in 1954 the government of the two countries endorsed a trade agreement, which was renewed in August 1984. Seven trading agreements have been signed in sequence since 1986 every year. The trade between India-China has been developing at a rapid pace with trade volume increasing continuously and variety of exchanging commodity gradually expanding. Since 1990, interactions between the economic and trade circles of China and India have kept expanding, and the bilateral trade volume has grown even faster. By the end of 2003, bilateral trade has increased to US $7.6 billion, the increase in trade volume has not been uniform over the years. Since 2000, bilateral trade has shown substantial increase in both total volume and rate of growth.

G. Supriya and Mohanan B. Pillai (2010)\(^9\) have found that China’s rise has created daunting theoretical and policy challenges for India. Although the structure of the international system compels states to maximize their relative power positions, neighboring countries try to maintain peace and stability in the region. India and China are the two major powers in Asia with global aspirations and some significant conflicting interests. As a result some amount of friction in their bilateral relationship is inevitable. The geopolitical reality of Asia makes sure that it will be extremely difficult, if not impossible, for Hindi-Chini to be Bhai-
Bhai (brother) in the foreseeable future. If India and China continues to rise in the next few years, a stiff competition between the two regional gaits will also be inevitable. The joint vision of the leadership in India and china could ensure a global order in which simultaneous development will have a possible impact upon their own people and economies as also on the rest of the world.

The study by Tej Pradip Singh (2011)\textsuperscript{10}, was based on the relationship between India and China on the basis of trade and commerce. China has overtaken the us as the largest trading partner of India. Their bilateral trade has gone beyond 60 billion US Dollar. Both cannot afford to lose each other. Despite numerous problems, Sino-India trade is rising rapidly. Main concern is huge imbalance in the Sino-India trade. Balance of payment position is highly in favour of China. Moreover, China is main beneficiary of this imbalanced trade. China is importing mainly cheap natural resources like minerals from India and exporting value added manufactured products like electronic, engineering goods, heavy machineries, and consumer products. Indian markets have been flooded with cheap Chinese products and this is adversely affecting Indigenous industries. Moreover, Chinese are not opening their markets in IT (Information Technology). It enabled services and pharmaceuticals sectors, where India has edge over the China. On the one hand Chinese are protecting their markets and on the other hand they are dumping their cheap products into foreign markets including India. India is losing by exporting its natural resources to China. More than sixty percent of Indian export to China is iron-ore. India is finding it difficult to sustain this highly imbalanced bilateral trade with China.

Diwan Vivek . M. (2011)\textsuperscript{11} has observed that the world political discourse is now full of references to the rise of India and China,
especially in economic sector. They are emerging giants in world economy. Although their economic relations have increased since last decade yet their gamut of relationship infractions. China’s interference in North-East sector is clearly showing, that it wants to get control over bay of B bangal, so as to capture the market for goods in countries like Bangladesh, Sri Lanka other nations.

H. Sudhir and N. Surjit Kumar (2011) have conducted study on India-china relation in the 21st century. The year 2009, provided a sharp contract in the bilateral relations between the two countries in the previous year. The Prime Minister Manmohen Singh’s visit in January 2008 was hailed as a new beginning for India-China relations. It sets the turn for the year, 2009 as the most memorable for the uproar over the boundary question between the two countries. From a ban on China made toys to allegations of incursions by China border patrol, 2009 has indeed tested the resilience of bilateral relations. The 13th India-China boundary talks were held in August 2009 in New Delhi. The China’s special representative and national security advisor to the Prime Minister of India, M. K. Narayanan exchanged in depth views about relevant issues in an atmosphere of frankness and friendliness. During the talks, the two sides exchanged ideas on the further development of India-China strategic co operational partnership, as well as regional, international and global issues of mutual interest. The two countries proposed to the maintain the momentum of high-level exchange, to celebrate the 60th anniversary marking the establishment of the diplomatic relations between the two countries, especially the China festival and India festival in each other’s country in 2010.

Rabindra Sen (2012) in his paper has discussed, the flurry of diplomatic exchanges and visits undertaken by the leaders of the leader of
the two countries, especially in recent times, which appear to have added a fresh momentum and given rise to hopes about giving the relationship a new direction. The question is whether these visits have ushered in a new era of hope and consolidation in bilateral relation or is it that the change that appears to have set in is more apparent than real. One way of examining the China-India relationship, especially from the Indian standpoint, is to analyze and understand the Chinese perspective vis-à-vis issues of great importance to India. It is important to see how the chine’s perception influences its policies with regard to those issues. This paper seeks to study China-India relationship by highlighting the Chinese stand on two such issues, namely India’s aspiration for permanent membership of the UN Security Council and the highly controversial India-US Nuclear deal.

Sahoo Pravakar (2012)\textsuperscript{14}, in his paper titled, ‘The Economic relations of China and India with Pakistan: A comparative analysis, has examined the economic relations of China and India with Pakistan. In recent years China has deliberately taken several steps to improve trade and investment relations with Pakistan, including among others, after the signing of a bilateral free trade agreement (FTA) in 2006. Due to this the trade between the two countries has been increased. China has taken many steps to improve its trade and investment relations with Pakistan. Similarly several incentives have been also given by Pakistan to China which resulted into increasing the trade relations between the two countries. Pakistan has provided cheap raw materials and use of Pakistan parts for trade to China. Over the year, Pakistan and China have developed a fair vision of their economic relations for the future. Trade between China and Pakistan has been substantially higher, on the other hand trade between India and Pakistan is languishing due to unfair political relations between the two
countries. On the other hand China is steadily assisting and investing in Pakistan which has resulted into huge trade between Pakistan and China. In the opinion of the author, India has missed out this opportunity of assisting and investing more in Pakistan. Of course political and other non economic factor are the barriers in increasing trade relations of India with Pakistan as compared to China.

Hande Ravindra and Kadam Kishor (2012), attempts to evaluate India-China trade relations and its changing scenario. In this paper they have summarized the troubled history of India-China relations, and taken a brief overview of the key changes in the Indian economy and the Chinese economy since last three decades.

For peaceful coexistence there was panchsheel Agreement between India and China. But due to geographical issue (border issue) the diplomatic and economic relations between India and China were collapsed after the 1962 India-China war. There were many diplomatic efforts have made by these two countries. In the era of globalisation, the bilateral trade between India and China has been increased. India depends more on China than vice versa. China proposed a free trade area (FTA) to India in 2004. But this proposal is in favour of China and may help China in promoting exports to India.

While discussing India-China trade relations, one issue cannot be neglected and it is about the quality of Chinese goods. There is conflict among the Indian business community about the quality of Chinese goods. The thing is that the Chinese goods are cheaper and they are more competitive in the international market.

In brief, for increasing the trade relations between India and China the diplomatic, political and non economic relations should be
considered. Healthy political and economic relations are essential to increase the trade between India and China.

Beretla Silvio and Lenti Renata Targetti (2012)\textsuperscript{16}, have analysed India and China trade relations. In their opinion, India and China are the most powerful and influential nation in Asia. They are also the fastest growing markets in world. These two nations have followed different paths for economic development. China has experienced rapid growth in the manufactured sector while India has made slow growth in the manufactured sector. The economic reforms were initiated in the late 1970s in China. In India the economic reforms were initiated in the early 1990s. There are different paths between India and China relating to industrial policies, strategies and specialisation. India has concentrated on specific technological niches and has achieved remarkable position for ICT services. On the other hand China has focused on exporting cheap goods in the global market and has become a top exporter of electronic goods in the global market. An agreement for economic cooperation was signed by India and China in April 2005. The diplomatic relations between India and China are after than before. An overview of India and China bilateral trade indicate that the balance of trade has always been negative for India. India trade deficit relating to China in 2010 was $21.25 billion. There is still more scope for growth of bilateral trade between India and China. When these two economies in the Asia are compared, India has a strong sector while China has achieved tremendous potential in the industrial sector. India is lagging behind particularly in the manufacturing sector to compete at the global market. It is the need of the hour that India should improve its potential in the manufacturing sector. Because this can help India in promoting its exports at the global market. The picture of negative balance
of trade with China can be changed through concentrating on the manufacturing sector.

S. K. Mohanty (2013)\(^{17}\) in his working paper titled “India-China bilateral trade relationship” has covered the important issues of the prospects of cooperation between India-China. In study has been divided into ten chapters. The author has highlighted the engagement of China and India in global value chain, sectoral distribution of India’s export potential, changing pattern of tariff liberalisation and India-China bilateral trade and economic relations. India is likely to gain from its engagement with China, provided caution approach to be pursued to restore long-term interest of India from its bilateral economic engagement. This requires restructuring of India’s domestic and external policies to ensure effective partnership two neighbouring countries.
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