Chapter - 2
Review of Literature

The basic purpose of the ‘Review of Literature’ is to acquire thorough and deep knowledge of the problem area so that the researcher can develop a comprehensive view. In addition the review is aimed at identifying the voids to further define and subsequently articulate the problem. This enunciation of the core and details of the precise research problem directs the research towards optimal address of the voids. This review of literature has been under taken to vet and evaluate the factors that have a direct bearing on the subject as also the peripheral facts which may have an indirect or direct bearing besides the government policies and decision that may also shape the subject. It also helps in finding the gaps in literature available and eventually facilitates formation of a precise research problem. The researcher to acquaint himself by going through different studies already undertaken in the problem area as well as the related areas. The review of literature has been exhaustive exercise that requires continuous monitoring and adaption. This chapter presents an overview of work undertaken by academicians, researchers and experts regarding the study Indo-China Trade Relations.

2.1 INTERNATIONAL REVIEWS

Felipe (2003) Concluded that export led growth is an important and time tested development model even at the time of financial slowdown in the world economy. However few sectors during the time of recession had given an impression that whether it is true that Export led Growth is a right choice for keeping the economy of a country on track. Though it has also been observed that domestic demand driven growth is the only way to keep the economy under control. Thus the combination of export led growth and domestic demand led growth is the best solution to counter slowdown of economy. This strategy can eventually sustain economic growth even during cyclic downturns by relying on domestic demands to keep growth in the positive range.

Tseng and Cowen (2005) observed the growth patterns of China and India since last two decades. The two nations had systematically carried out core reforms in various sectors including primary markets, infrastructure, education, international trade. India and China, both have carried out impressive changes in the money and
capital market making them resilient and responsive to shocks. These changes together had positive effect on the economy of both the country. China and India are booming economy, it is easy to be impressed. It is seen that annual growth rates in Gross Domestic Product have been sustained over the past few years at eight percent, sometimes even higher. Study of China and India had the major investment in education that is encouraging thousands of excellent engineers and scientists annually. Also manufactured goods carry a ‘Made in China’ label and that our call centre services are increasingly located in India.

Cai and Wang (2005) estimates that the rising economy of China will have added advantage of it human resource till the middle of second decade of 21st century and other emerging economies will gain comparative manufacturing advantage over China. Rising labour wages will also adversely affect export competitiveness. The demographic advantage of China had a positive effect on China growth. In future India will have similar advantage as that of China.

Fu and Balasubramayam (2005) noted new ideas and innovation played an important role in increasing the output and along with huge exports stabilized the economy and brings the foreign direct investment (FDI). The internal structure of production does require import of some innovative services which helps in building up new and technological high end products.

Herzer (2006) observed that high rate of growth of the growing economies is mainly due to substantial export potential which has been possible by following the policy of export led growth. The combination of ELG and domestic market does help in connecting domestic markets with international economy. The increase in export does have a positive impact on the economy of the country along with increase in production. Many developing countries have taken advantage of export led growth and were able to sustain their economy.

Zhangyue (2006) focused on the changing nature of interaction between India and China not only of trade but also capital and people. The study also shows that both the countries cooperation in trade had positive impact and helped both the countries in their economy. The new areas of cooperation and evolving avenues of interaction will further help in increasing the trade cooperation, thus increasing the export not only between the two countries but also with others.
Stanley et. al. (2007) compared the industry performance in India and China. Australian Chamber of commerce and Industry laid stresses on the combination of Indian and Chinese economics and examine that addition of both, if realized, can become the second largest economy in the world behind United States. It is also assumed that if India and China are combined especially in their high-tech industries, they can provide a hard competition in the global markets.

Yuefen et. al. (2008) analyzed that in order to keep broad-based, fast and balanced growth, both the countries have to restore sectorial imbalances and encourage technology up gradation. They also reviewed the joint agricultural business of China, India. Presently has a huge trade imbalance with China. It is a matter of concern of India and it has to take corrective action to overcome this huge problem.

Qureshi and Wan (2008) highlighted the export competitiveness of India and China, their inherent strengths, their relative advantage over each other and over other countries of the world. The uniqueness of their economies with respect to manufacturing, export potential in the medium and long term is complex and varied. Their analysis of data reveals that the cheap manufacturing advantage of China which it had for many years is slowly waning. It also delves into the avenues of further cooperation between the two nations.

Bussiere and Arnaund (2008) analyzed the integration of China and India into the global economy. It presents estimates the overall degree of their trade intensity and the depth of their bilateral trade linkages, as well as selected measures of revealed comparative advantage. Also reviews the key characteristics of the two countries’ domestic economics that are relevant to their global integration and analyses their financial linkage. Considering trade in goods, the overall degree of China’s trade intensity is higher than fundamentals would suggest, whereas the converse is true for India. Chinese goods exports seems to high-tech while Indian exports stay behind more low-tech. China’s exports of services are also increasing along with its exports of goods, while India’s exports are growing in IT-related services.

Gupta (2009) stated that the growing economies of China and India have provided the impetus to their respective governments to reorient their trade policies. The economic liberalization of both countries and their subsequent policy reforms led to the development of infrastructure, competition, enhanced productivity and foreign
investment, all of which boosted trade and investments in both countries. Comparisons between India and China, however, show that China’s growth trajectory and volume of imports and exports has been much higher than India’s.

**Zheng (2009)** explored foreign direct investment determinants in China and India and fills the gap in the literature by providing a comprehensive empirical comparison analysis. Two panel data sets and two statistical models are employed to identify the determinants of FDI inflows from home countries worldwide to the two host countries by considering both home and host countries characteristics. The empirical results show some interesting similarities and differences between the two countries. Market growth, imports, labour costs, and country political risk/policy liberalization are the determinants for both countries. However, exports, market size, and borrowing costs are important to China’s FDI, while geographical and cultural distance factors are important to India’s FDI.

**Haiyan (2009)** examines the export basket of India’s trade with China which is heavily skewed in favour of minerals and agricultural goods which are deficient of value addition. The export of iron ore, copper, tin is mainly used by China as raw materials to manufacture finished goods with significant technology integration bringing critical foreign capital. Though the two countries have been growing at similar levels for the past few years however the difference is stark in their service sectors, capital industry and levels of exports of the years.

**IMC ERTF (2009)** study reveals that both India and China have been able to take advantage of the fruits of globalization. As China embarked on its economic reforms in the early decades of seventies it has a comparative advantage over India which was a late starter opening up Indian markets only in early nineties. The nature of reforms have also been at contrast with China opting for a massive manufacturing base, which in turn provided employment to millions of unskilled and semiskilled population. India has in turn undergone a knowledge intensive service sector growth.

**Cline (2010)** analyzed that in the run-up to the G-20 meeting in Toronto, China announced that it would shift to a more flexible exchange rate policy. In contrast, the currency had remained fixed (at about 6.83 Yuan to the dollar) form September 2008 to early June 2010. Pressure not only from the United States and the European Union but also from Russia, Brazil, and India along with the IMF has
effectively made China to take corrective decision, although concerns about domestic inflation may also have been a factor. An undervalued Renminbi has increased Chinese current record surpluses, correspondingly to extensive US current record shortages. China had already moved in mid-2005 to permit its swapping scale to acknowledge, and from June 2005 to August 2008 the cash arose by 18.6 percent in genuine successful (trade weighted) terms, however then the strengthening of the monetary emergency in the United States provoked Chinese experts to solidify the cash against the dollar indeed, in quest for more prominent steadiness even with more prominent worldwide vulnerability.

Economist (2010)

Data suggests that the demographic dividend enjoyed by China for the last few decades is coming to a halt. The favourable dividend played an important role in China’s economic growth which was labour intensive and based on volume of scale. On the other hand India is having a favourable demographic dividend which is expected to exist till 2045. However to capitalize on this opportunity the government needs to invest in health and education on a massive scale.

Gupta and Haiyan (2011) expressed the diverse similar preferences of the two nations give grounds to solid monetary trade. In spite of the fact that the modern analogy of India and China is that of a piece of modern technological product where the hardware is manufactured by China while the software is developed in India .The lack of value addition in the raw materials, of which India has huge resources is a major hindrance to economic growth and leads to in significant addition in the value chain. Administrations exchange amongst China and India stays little. In spite of the fact that India has risen as a worldwide powerhouse in data innovation and IT-empowered administrations, dialect contrasts make normal boundaries to the fare of those administrations from India to China. Along these lines, a considerable lot of India's bigger IT organizations put specifically in nearby operations inside China. The sheer size and development rates of these economies have supported respective exchange, as greater economies have more to purchase and offer. The two nations could likewise remain the world's two fastest developing economies for the following a few decades. In this unique situation, the prospects for preceded with increased development in bilateral trade have all the earmarks of being brilliant.
Palley (2011) Reveals that the earlier policy of capitalizing on manufacturing advantage to drive an export led growth strategy is not sustainable in the medium and long term, in the changing global environment. Many developed economies of the west are restoring to Tariff and Non-Tariff Barriers to prevent domestic industries from the onslaught of cheap manufacturing powerhouses like China. Protectionism is the buzzword in the policy circles the world over to strengthen domestic sector and reduce overdependence to foreign nations. This can halt the desire of many developing countries to join the league of developed countries in the next few decades. Concern over environment protection, labour rights, ethics and transparency in governance is also acting as a challenge for many East Asian countries. The emphasis in recent times is on strengthening domestic demand to act as engine of growth.

Asian Development Bank (2011) estimates that the demographic dividend enjoyed by China for the last many years will cease to exist by 2020. The government needs to factor this reality while formulating economic policies for the future. The earlier benefits of cheap labour force to drive growth will no longer exist in the near future. The rising wage rates are reflection of this reality. The huge benefit due to a young labour force rapidly aging population, rising dependency ratios, rising health costs for the elderly, sharp gender imbalances etc. among others. On the contrary, India is likely to gain from the demographic dividend.

Wolf et. al. (2011) reveals that China’s population will peak at 1.5 billion before declining. The one child policy adopted has huge implications for the country in the future. The declining labour force participation rate coupled with ageing populations will create liability not only on the next generation but on the government too. The comparative advantage is expected to decline in the near future.

Golley and Tyers (2012) Reveals that the transformation of favourable demography into a dividend hinges on government’s ability to provide critical inputs of healthcare, education, technical skills and employment opportunities in the form of liberal market policy, easing FDI norms.

Louis Kuijs (2012) highlighted the growth of India and China considering their existing economic growth patterns and problems, summarizes how governments want to adjust their growth strategies; introduces some key features of the policymaking
process and some of the institutional and political economy problems; and sketches some tentative economic scenarios. India has since the mid 1980s also embarked on market oriented reform. India’s policies have typically not explicitly targeted at industrialization and investment as much as in China and India’s growth pattern has been less industry-and export-oriented. India’s potential GDP growth rise over time because of higher investment and total factor productivity growth. However, expectations and demand ran ahead of the supply side in recent years leading to macroeconomic tension. Moreover, fiscal pressures have re-emerged. Meanwhile, in both countries, making growth more inclusive is a major challenge. Both countries want to adjust their growth strongly to sustain growth and development to meet the domestic and global challenges.

Tanvi Madan (2013) showed that trade relations between India and China began at a slow pace with an annual turnover of only a few million dollars. The scenario changed after India and China signed the most favoured Nation Agreement. China became India’s largest goods trading partner, replacing the United States of America. However, the balance of trade is heavily tilted in favour of China. India is addressing the issue of trade deficit at highest level.

Lin and Fujien (2013) stated the China and India have achieved tremendous progress in multi-sector co-operation. Notwithstanding that progress, challenges still exist in the bilateral relationship, however. This includes economic constraints, border disputes and perception problems. Difficulties aside, the two countries’ common interests provide the bases for a brighter future for India-China relations. The major co-operation between both the countries presently is at its peak. The political trust between both requires focus however this should not adversely effect the economical co-operation between India and China. In addition both should negotiate for disputed boundaries and securities.

Skir (2013) asserted that India gained its independence from being a colony of Great Britain in 1947. The People’s Republic of China was founded in 1949. The next year in 1950, the Indian and Chinese government established diplomatic relations, and India was first country outside the socialist block to recognize the People’s Republic of China. As a result, the two countries maintained a close, amicable relationship during the 1950s. Among the emerging countries that gained independence from a colonial condition, India did not join either the US or soviet
camps, and together with China, developed the anti-imperialist and anti-colonialist.

**Jianxue (2013)** showed that Top leaders of both counties define Sino-Indian relations as one of the most important sets of bilateral relationship in their foreign relations and an increasing higher priority in their diplomatic agenda. As the two largest countries in Asia and the developing world as well as countries with an ancient civilization and major emerging market economies, China and India have great potentials for bilateral cooperation and more and more common interests and carry growing strategic weight in the restructuring of regional forces in Asia. Clearly, Sino-Indian relations have an increased impact on the international trading system, the international financial order, the global development agenda and regional cooperation in Asia and the Pacific.

**Embassy of India (2013)** explained trade deficit for India and the world for year 2012 reflected the trends of the consumption and slower growth in trade volumes. The creation of cooperation mechanisms at all levels is necessary to utilize the opportunities the present situation provides.

**Dr. Kumar (2014)** briefed the rising global political and economic profiles, bilateral interactions between China and India are shot through with suspicion and expectations of an inevitable clash of interests. Concerns have grown over rapid military and infrastructure development by both countries along their disputed boundary and over economic and resource competition between them. The key question of the Asian century will therefore be whether these two rising powers and neighbors can manage their relationship in manner that helps promote regional and global peace, stability and economic development.

**Zheng et. al. (2015)** argued that as the largest developing countries in the world, both China and India pursue export-oriented economic policies, which can help them realize rapid economic growth however rapid growth is influenced by factors such as long-term geopolitical conflicts, border dispute and security strategy. The trade amounts between them. The political relationship the bilateral economy and the trade cooperation especially the trade in good area have entered a rapid development period. The status of economic and trade exchanges has become more significant, and is now becoming the leading force and the mainstream of the Sino-Indian relationship.
Dr. Bala (2015) showed that India and China agreed to learn from each-other’s development experience to face common challenges. The SED was setup with the objective of increasing coordination on macro-economic policies and to provide a platform for both countries to leverage common interests and should developmental experiences. The idea behind the dialogue was to look at the largest picture and go beyond trade. To achieve this, separate joint Economical Group, between both countries has been set up to tackle trade issues, including the widening imbalance in China’s favour.

Fantu (2017) stated that India’s economic growth has been strong in recent years, driven by high rates of consumption in particular. While high rates growth is expected to continue, further reform and the development of new industries are needed to ensure sustained and inclusive growth. Among the priorities in the Twelfth Five Year Plan for achieving faster economic growth are skill development and investment in science and technology. Foreign direct investment (FDI) will play a major role in India’s growth development and technology-and knowledge-intensive manufacturing and services industries. China’s growth continued to slow as it entered its 13th Five Year Plan period, and the country is putting increasing emphasis on supply-side reform and its excess capacity, which is a result both of the misallocation of capital and of inefficient investment over the past few decades, needs to be addressed.

Grossman (2017) suggested that both India and Pakistan has been recently introduced in the Shanghai Cooperation Organization. China is probably going to confront and face challenge from India because up to now China has a major say without any much opposition. India's entrance could particularly upset Beijing in light of rising geopolitical rivalry and different ways to deal with the major concern of India especially on counter terrorism. Beijing might not have even wanted India to even include in the SCO. Russia initially proposed India as a part, likely to a limited extent to supplement respective financial and security engagement, though essentially to oblige China’s impact in the association. Russia is mainly worried that post-Soviet SCO individuals like Kazakhstan, Tajikistan, and Uzbekistan are floating too far into China's geostrategic circle.

PTI Beijing (2017) investigated that following quite a while of decay, Indian fares to China climbed pointedly in the initial four months of this current year
enrolling a 20 percent expansion to USD 5.57 billion, however the exchange shortfall kept on continuing. India sends out got a noteworthy lift fundamentally because of China expanding the steel utilization by bringing in huge amount of iron metal and also jewels and precious stones other than cotton.

Embassy of India (2017) expressed that two sides perceived that improving fringe territories participation through outskirt exchange, journey by individuals of the two nations and different trades can adequately advance mutual trust, and consented to additionally expand this collaboration to change the fringe into a scaffold of participation and trades. Both countries agreed to expand border trade at Nathu la, Qiangla and Lipu-Lekh Pass and Shipki La. India and China agreed to set up the Strategic Economic Dialogue (SED) mechanism. The SED mechanism looks beyond the immediate bilateral issues faced by the two countries and strategic macro-economic issues impacting both nations as a result of the changing international economic and financial landscape.

Center for International Development at Harvard University (2015) analyzed that the latest data of 2015 shows that world’s trade has decreased since global crises. This is mainly due to sharp fall of oil price globally and reduced growth in oil economy. The oil prices started declining sharply since 2014 and growth of oil companies has decreased drastically. The future projection warns of slowdown in this decade. However India and Uganda will be the fastest growing economy by 2025 at an average growth 7.7 percent. It also shows diversify trade by India in few high-tech sectors such as vehicle, chemicals and IT. The agenda complexities ranking fell for sports since global prices. The average growth of China will be approximate four percent.

2.2 NATIONAL REVIEWS

Kumar and Khanna (2004) studied the role and structure of WTO, the popular view in India is that there cannot be a substitute for multilateral trade negotiations. India supports the WTO and the multilateral framework agreement for trade promotion. However, at present, it seems that debates over procedures and legal positions dominate consultations when instead the international community should concentrate on pushing forward the development agenda. India is committed to the Doha Round. India is also engaging with other countries and regions for bilateral
regional economic cooperation agreements.

**Bhattacharyay (2005)** discussed the probable areas of India-China cooperation and incorporation in the Eastern and North-eastern region of India and South-western provinces of China.

**Panagariya (2006)** discussed the growth experience of India and China and describes the evolution of trade flows at the aggregate level. Considers the composition of each country’s exports and imports of goods, and documents the success of India’s software industry. Compares the foreign direct and portfolio investment flows into the two countries, and explores the connection of trade and foreign investment flows to policy changes during the last quarter century.

**Mohanty and Chaturvedi (2006)**

Reveals that China is slowly alternating its structure of export with changing time, it is moving from large volume, low technology production to technology intensive exports. This model is expected to provide China with high growth in the medium term. Simultaneously it is raising domestic demand through governments budget, massive infrastructure expansion and promoting private consumption. The comparison between India and China and its trading structure reveals the stark absence of technology integration in India’s export. It is dominated by minerals and agricultural goods. This structure is unsustainable in the long term, leading to waste of opportunity and inclusive growth. The need is to boost exports with critical value addition through formation of trading alliances in the form of preferential agreements.

**Singh (2007)** showed the impressive growth in the last 20 years by both India and China. As world economy is slowing down however India and China are showing commendable progress. This has decreased the poverty for both the nations. However in case of India, it is slow worth as compare to China. Though, the human development in index has also shown positive response in both countries. The industry of both the country is developing at very fast pace. This has improved the manufacturing sector of both the countries and has generated vast employment. In UK and USA in-equality in income is increasing drastically this shows unskilled workers are facing acute problem in this countries.

**Bhattacharya (2007)** examined the impact of trading collaborations made by India and China in the form of preferential trade agreements with other countries of
the world and their impact on intra trade. The items of exchange between the two nations, their potential increase in future and the factors which would boost it in future.

**Guha and Paul (2008)** showed India and China has impressive growth in last two decade and this has attracted the attention of many developed countries. The economists are projecting that these two nation economy will grow at very fast pace. China has improved its economy after becoming member of WTO. China has reduced tariff rate and allowed smooth flow of goods internationally. There are various factors by which India and China are willing to trade competitive advantage platform.

**Bhat et. al. (2008)** analyzed that rapidly growing India-China two-way trade has attracted the attention of scholars and trade policy formulators’ the world over. This spectacular growth took in the backdrop of China’s entry into the World Trade organization. China’s accession to the WTO enables smooth flow of goods with reduction in tariff duties and dismantling of non tariff barriers. There are other factors too which made them are opening up of both the economies and willingness to trade with each other on comparative advantage basis. At the outset, broad comparison of both economies is highlighted in order to take stock of the changing paradigm. It analyses the trade policy components of India and China and links up with historical perspectives of trade policy developments. The strength of competitiveness and complementarities of traded products in each other markets are assessed with secondary and primary data. The competition between the two countries in the third markets is evaluated. The role of FDI in export sector is examined. The efforts made by both the countries in regional and sub-regional economic cooperation are looked up of Asian common market.

**Singh (2009)** studied the existing relations and analyzes the future business ties between India and China. The economic relations hinges on the resolution of disputes and closer people to people contact. The feeling of mutual suspicion and distrust needs to be diminished with time.

**Kumar (2010)** investigates the broad contours of India-China relation and explore the areas on which both the countries can work jointly on mutual interest. This includes cooperation at multilateral forums, research and technology collaborations, infrastructure support through technology transfer and credit support,
maintaining peaceful relations in South Asia.

**Pillama (2010)** studied the economic model of India and China and finds out future business trends, he states that there is no watershed reform or revolutionary technology that can give India any special advantage. China’s policy makers focused on selected industries and geographical locations to ramp up manufacturing, such as export-oriented consumer goods and real-estate and infrastructure industries. India rather aims at a resurgence of manufacturing across the entire economy.

**Pal (2011)** observed that while India has better environment for business and lives in a more real world which China enjoyed in the past. However India must focus on its requirement and take advantage of its human and knowledge capital. China has certainly grown very fast but whether this growth is sustainable or not only future will tell. On the other hand, India’s growth could be more sustainable due to its large domestic consumption market. India can perhaps even exceed China if it focuses on solving its own challenges on priority.

**Mohanty (2009)** concluded that countries adopt Export led growth and Domestic demand led growth alternatively depending upon existing economic conditions. Global slowdown results in country turning inwards to maintain growth. In such scenario domestic demand is the engine of growth in the medium term. However as soon as external situation improves export again takes centerstage.

**Wignaraja (2011)** showed that the link between trade policies and exports through a comparative analysis of China and India. While China is for ahead of India to dominate manufactured exports, India has acquired competitive advantage in skill-intensive services. The large domestic markets and low-cost productive labour have laid the foundations for the giants’ export success. While the gradual switch to market trade policies in the late 1970s drove trade-led growth in China as reforms were fast and more coordinated. It has opted for open door policy towards foreign direct investment, actively facilitated technological upgrading through FDI, steadily opening a controlled import regime and concluded more free trade agreements with Asia’s developing economies. India has attempted to develop more effective commercial policies since 1991, especially to attract FDI and free imports. Therefore, one might expect the gap in trade performance between the China and India to narrow with time. However, both giants face an uncertain world economic global financial
crisis and future export success will depend on their developing commercial policies. Important issues and risk of increase spending on infrastructure as well as research and development has to be taken care off.

Aiyar and Mody (2011) observed that India has started receiving demographic dividend since last two decade and it would contribute approximately two percent per annum in the country’s GDP. The regional inequalities will also diminish gradually as demographic dividend is positively related to regional backwardness. Most of the developed states are on the negative side of demographic dividend as they have already capitalized on it.

Sharma (2011) opines that China and India are going to be the economic hub in near future. Such words are said and heard by one and all. However, which of the two countries is moving in right direction in this context remains to be seen in future. The study has state that China is having a definite edge over India if the present position of these two countries in global economy is taken into account, though China is found to be having better plans for future as well. India, at present is not having too many things to show off. The government machinery of the country is responsible for this mess.

Pavithran (2011) study showed the importance of bilateral relation between India and China focusing on economical and diplomatic front. India and China both countries are world fastest growing economies. The trade between India and China is taking place from ancient times especially through the silk road. However economical condition of China is for better than India though India has taken various steps to enter in new fields.

Ratha et. al. (2012) found that India and China are raising economy of Asia. Both are the world’s most populous countries and fastest growing economies. The efficient growth in China and India’s is also due to global diplomatic and economic influence. China and India are two world’s oldest civilizations and have co-existed in peace for thousands of years. China has emerged largest trading partner of India a decade ago. Both countries had founded their relationship on the basis of Panchasheel. The old slogan of India China Bhai-Bhai hold good for very short duration. However both the nations engaged in a constructive dialogue on a number of issues, including political, economic and military co-operation. There is much
substantive discussions between two governments, much more acknowledgement of common objectivity as well as flow of ideas. Since the beginning of new century, the China-India strategic and co-operative partnership for peace and prosperity has continued to grow at fast pace. In addition both are working together to move forward.

Mohanty (2012) observes that the massive expansion of manufacturing sector in China which was a conscious policy decision adopted in the early years of nineteen eighties, led to China becoming the manufacturing hub of the world. This export driven growth worked well till the global financial slowdown. However the fall of demand in the post crisis period led to questions being raised about this strategy as a driver of growth. Now emphasis is being given by exporting nations to boost domestic demand, so as to insulate them from the cyclic high and lows of international trade. This will also insulate developing economies from the backlash against globalization which is on the rise in some

Keshava (2012) studied the “BRICS” countries and the Asian Century. During the last decade it has seen a high level of Western interest in China and India affairs. Despite of the differences between the two countries, China’s economy is almost three times bigger than India. China is also regarded as the greatest economic and political wake up call to Western dominance in the future. The growth trajectory and future prospects of the Asian power, China receives a majority of this attention though India is also not far behind.

Vijayasri (2013) analyzed that trade is important as it is change of commodities, the inputs and technology which promotes in two ways. It cross the market of a country’s output beyond national boarders and may provide better prices through exports. Through imports, it makes available commodities which are either not available or are available only at higher prices, thus taking consumers to a higher level of satisfaction. There is always a need for international trade because the countries have different capability and they deliberate in producing another way to obtain which they don’t produce, then have to carry trade with other countries.

Institute for Defense Studies and Analyses (2013) argued that changing the political relationship between India and China which are two emerging powers, establish their territorial integrity, identity and correct place in world relationships
requires that both countries use the chance to develop close assistance, rather than let a colonial legacy dictate bilateral relations. The return of India and China is a response to globalization, with states gaining in the influence not because of their military but the power of their economic. Since the initiative of economic reforms, China and India have achieved economic growth for more than twenty years. Presently both countries together account for not only over one-third of the world’s population, but also a considerable share of the world economy with China already being the world’s second largest economy. The economic growth of two developing countries has effect on global economic and political relations. In addition both powers will fight for supremacy in the Asian continent. War is only controlled because both countries have nuclear weapons and are increasing their capability in conventional warfare.

Report of Ministry of External Affairs (2013) provided a wide view of India’s bilateral relationship with China. It gives an overview of the many cooperation agreements signed between both the parties in various fields. The report also provides an broad view of the political, defense, science and technology, commercial and cultural relationship between both India and China.

Chandra (2014) analyzed that India and China has an important role in world economic. Both nations have achieved high growth rate in addition of other things. While China is the largest trading partner for most of the western nations, it has also provided it with disproportionate geopolitical clout in the pacific region. The rise of Indian export in the post liberalization period has also been especially impressive in the services sector. Both China and India have been pursuing FTAs with a variety of countries particularly in Asia. However, no progress has been made towards the signing of a FTA between India and China two of the largest and fastest growing economies of Asia. In fact, India’s domestic industry has shown concern on various occasions over a possible FTA with China. China and India have to identify the specific areas to decrease trade barriers which could result in benefit to both nations. International trade of both India and China has witnessed high growth in recently. However, shows how China trades as much as 5 times more than what India does. In addition, China has emerged as an exports-driven economy with its growth rate of exports taking over its imports. India’s export growth rate is still lagging behind its import growth rates.
Mohanty (2014) Investigates the Indian and Chinese economic systems, their strengths, weakness, potential areas of collaboration to maximize opportunities in the future. The evolving nature of trade with time with emphasis on value added products rather than primary goods. The role of technology in future, on trading patterns. It also points toward rising spatial inequalities due to non-inclusive growth and lack of holistic planning.

Chand (2014) provided A for Asia, B for Business, C for Culture and D for Diplomacy and Development as the emerging alphabet of comprehensive commitment between the two Asian powers which are moving ahead on new direction of cooperation and has influence on the world economy. Two Asian neighbors will generate new opportunities for their 2.5 billion people, one third of the world’s population.

Sekhani (2015) projected that India’s trade imbalance with China in is likely to increase further in future. Since China has emerged as India’s largest trading partner and increased India’s dependence on its products is one of the major reason behind the trade deficit. However it is crucial that the Sino-Indian relationship continues to flourish. A significant degree of planning and strategies is required in such measures that India’s domestic economy competitive with Chinese imports. Also enabling policies to enhance Indian exports to China and addressing the constraints that China places on Indian import.

Dutt (2015) emphasized that the bilateral trade between India-China are growing at very fast pace. The import from China is also increasing exponentially. Also in addition to volume the variety of treading goods is also having impact on trade deficit. Given their global economic size their huge trade is also have a positive effect.

Report of Ministry of External Affairs (2016) report focuses on India’s bilateral relationship with China. It projects an informative of the many cooperation agreements signed between both the countries in various fields and also provides an overview of relationship in bilateral trade, science and technology, educational and cultural between both the countries.

Kalha (2016) observed India’s trade deficit with China is very large and is expected that this will go up even further in years to come. However this should not be cause for worry, as Indian runs deficits with sixteen out of twenty five its top trade
partners. The fact is that India buys more than it sells to worldwide. But the real problem is that there is no obvious solution in sight as yet and therefore the question that arises is, for how long this huge deficit with China can be maintained. Having trade deficits with China may not be necessarily inevitable as presumed. According to the Chinese, the problems faced by India are elsewhere and relate to res labour practices, land and tax laws, poor infrastructure and inadequate power supply. In addition, while China is a part of global supply chain, being the last stop of the manufacturing chain in East Asia, India is nowhere near being a part of this global chain. Both India and China are likely to be among the four largest economies in the world by 2020, yet India still does not have a full time trade negotiator on the lines of the US Trade Representative.

**India’s 12\textsuperscript{Th} Five Years Plan (2013-17)** argued that Government’s agenda is to remove domestic constraints to growth so as to increase investment and avoid the recent downward trend. Under the 12\textsuperscript{Th} Plan, India aims to increase its GDP at an average annual rate of eight percent, while aspiring to return to its full growth potential of nine percent per year by the end of the Plan period. Growth will also benefit from improvements in the business climate and in governance at all levels. From a massive increase in infrastructure investment (power, telecommunications, roads, airports, railways, ports), and from better use of technology for innovative solutions to the country’s most discouraging development challenges

**Claws (2017)** observed that the number of products that India sells to China is much lower than the number of Chinese products is imported into India. Chinese exports to India are still more diversified than the Indian exports to China’s exports to India comprise manufacturing goods, mostly power equipment, iron and steel, fertilizers whereas India’s exports to China comprise raw materials and intermediate goods. The problem behind this huge trade deficit is India’s export of raw materials and import finished product. India’s trade basket consists of cotton, gems and precious metals, copper and iron ore where as China on the other hand exports manufactured capital goods. Since India does not produce enough high-technology manufactured goods for exports and domestic use, it has to depend on imports from the outside world specially China.
2.3 Research Gaps

No significant academic research has been undertaken to explore the India-China Trade Relation recently which the present study has Endeavour to address. The present study is probably the first study undertaken to explore the uncharted waters of Bilateral Trade between India and China. The present study had tried to understand the complex, political, economic and trade relations between India and China also analyze the reasons behind imbalanced bilateral trade patterns, sectorial complementariness and suggest strategies to correct the rising trade asymmetry between India and China. It also explores the scope of mutual economic collaboration between India and China in the context of BRICS, SCO, APEC, ASEAN and EAS.

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