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India-China: Upcoming Trade War

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Abstract

This is a study of India and China, two of the world's fastest growing and most populous countries. Both countries have risen to different levels over time, and their continued growth will dominate world academy courses for decades to come. The study includes a comparison of sources of growth and experience over the past five years. The main comparative factors are geography, including territory, neighbouring countries, etc., demographics, including population, age structure, sex ratio, net migration rate, life expectancy, etc., current GDP, GDP growth, economy, including unemployment, imports, exports, reserves, growth rate, etc., health status, including infant mortality, life expectancy, transportation, including railways, roads, waterways, ports and terminals, airports, etc., focusing on the present and the future. The study shows that China is now outperforming India and that India needs better governance at all levels if it is to match China.

Introduction

Relations between the two Asian giants and the world are developing at breakneck speed. Both countries have seen ups and downs over the years. Today, India and China are Asia's two largest and most dynamic economies, setting new trends in international relations. The history of bilateral relations between India and China dates to the mid-1980s. The dialogue process initiated by the two governments at the time was very helpful in confirming common trade interests. In order to further develop economic relations between India and China, efforts have been made to make full use of economic opportunities. In 1984, India and China signed a trade agreement granting them Most Favoured Nation (MFN) status. In 1992, India and China established full-fledged bilateral trade relations. 1994 marked the beginning of a new era in India-China economic relations. This year, India and China signed an agreement to avoid double taxation. Both governments have also taken the necessary steps to become dialogue partners of the Association of Southeast Asian Nations (ASEAN). In 2003, the two countries signed the Bangkok Agreement. Under this agreement, India and China provided each other with certain trade preferences. India has granted preferential tariff treatment on exports of 217 commodities from India. In 2003, India and China agreed to open cross-border trade via the Silk Road. The two countries have also shown interest in participating in a multilateral trading system under WTO commitments. Recently, China is already India's main trading partner. Economic relations between the two countries are currently considered one of the most important bilateral relations in the global economic scenario, and this trend is expected to continue in the future. Today, China is India's largest trading partner. India is one of China's top 10 trading partners.

Literature Review

Paper 1: India vs. China: Past, Present and Future

(Ashok Panigrahi and Vijay D. Joshi Published: 13th September 2019)

During the first decade of the 21st century, the influence of Chinese products in the Indian market has grown exponentially. From 2001 to 2016, India's imports from China increased 33 times from US\$1.83 billion to US\$60.4842 billion. Surprisingly, India's trade deficit with China increased 57 times over the same period. India's trade deficit with China narrowed slightly to \$51.57 billion in 2016-17 from \$52.69 billion in 2015-16. China was able to further improve its presence in India. Since 2009, Chinese products have increasingly entered the Indian market.

Paper 2: INDIA AND CHINA IN WTO Building Complementarities and Competitiveness in the External Trade Sector

(Bhat TP, Guha Atulan, Paul Mahua (2006))

In today's world, India and China are fast growing economies. They promise to be the engines of global economic growth in this century. In recent years, the two economies have developed closer economic relations and entered into regional economic cooperation agreements with other Asian countries. China is becoming a key link in the manufacturing chain, recognizing India's potential in knowledge-based services and manufacturing. The complementary strengths of the two economies can be mutually exploited. Considering the state of the Indian industry, this seems like a distant dream. The scope of intra-industry trade is limited and the option is to improve inter-industry trade.

Paper 3: THE US-CHINA TRADE WAR: IMPACT ON INDIA AND ITS POLICY CHOICES

(Rajesh Chadha & Sanjib Pohit & Devender Pratap, 2019)

In the bilateral trade war between the US and China, while the US and China will suffer in terms of GDP, exports and imports, India may win. When the US-China trade war also applies to India, India might lose and India will face higher tariffs from both sides. A knee-jerk, tit-for-tat approach may not be the healthiest approach without a bigger 50 check. A hypothetical RCEP-style free trade area, when the US and China are not engaged in a bilateral tariff war, seems to benefit all members, especially India. When the US and China are engaged in a bilateral trade war, India will benefit more from joining a free trade zone like RCEP.

Paper 4: India and China in Asia

(BR Deepak and DP Tripathi, 2019)

Examining India's diplomatic capabilities and the effectiveness of international affairs management is too different from our topic. For our current purposes, three elements emerge. First, the Ministry of Foreign Affairs and other entities need highly qualified personnel with the necessary training, professional skills and motivation to implement the policy with rigor and perseverance. Finally, in 2007 the government launched a program to effectively double the number of the Indian Ministry of Foreign Affairs; he has increased his annual intake by more than 100% and is now halfway to that goal (Rana 2014). MEA's Chinese Studies program is by far the best language and geography specialization, producing a cohort of excellent scholars each year, one of whom completes Interpreter-level training with distinction each year; other linguistic and regional programs Little success.

Paper 5: ANALYSIS OF EXPORT COMPETITIVENESS TEXTILE AND APPAREL INDONESIA, CHINA, INDIA

(B. Susanto, Sukadwilinda Published 26 March 2020)

The textile and clothing industry is one of the most important economic sectors in the world. Many studies predict that India will gain a significant share in the global textile and apparel trade due to the advantages of cheap labor and other resource factors (Kathuria, 2013). (Kathuria, 2013) analyzed the comparative advantage of India and Bangladesh in the export trade of the global garment sector using the Balassa index, showing comparative advantage. Its findings show that India has comparative advantages in 23 to 34 products, while Bangladesh has 21 to 34 products. (Kilduff & Chi, 2007). (Guan et al., 2019) analyzed the raw materials, labor, capital, demand, related industries, strategies and policies that affect the international competitiveness of China's textile and textile industry. The Balassa Export Performance Index and the Dynamic RCA are used to determine the Revealed Comparative Advantage (RCA) of Singapore, China and India in terms of 1-digit and 2-digit SITC industrial products. Meanwhile, exports from Singapore and India are seen as stronger and more stable complements.

Paper 6: GEOPOLITICAL FACTORS AFFECTING TRADE BETWEEN SOUTH ASIAN COUNTRIES AND INDIA-CHINA

It can be interpreted through this paper that geopolitics does affect trade and bilateral relations between countries. China is busy building a 'string of pearl' around India; they already have taken control of Pakistan's Gwadar (West of India) and Sri Lanka's Hambantota (South of India) deep-sea port through debt-trap diplomacy and they were almost on the verge of cutting a deal with Bangladesh to build another strategic port in Sonadia (East of India), but could not.

China and Pakistan have built a friendly alliance which as mentioned has led to huge amounts of Chinese investments in Pakistan. This too has affected trade and can be proven through data; Pakistan imports \$14.7 billion and exports \$2.06 billion to China while the trade with India is valued at a mere \$1.95 billion.

Paper:7 China-India Relations in Economic Forums: Examining the Regional Comprehensive Economic

NILANJAN GHOSH PARTHAPRATIM PAL JAYATI CHAKRABORTY

RONJINI RAY (AUGUST 2018)

India, throughout the first decade of the present millennium, signed a host of free trade agreements (FTAs) and comprehensive economic cooperation agreements (CECAs) which also include investment agreements. A large part of them have been with the South-east Asian nations. India's trade deficit only increased after entering into FTAs and CECAs. Indian indifference towards the Trans-Pacific Partnership, or the Transatlantic

Trade and Investment Partnership (TTIP) or even present slow movement with RCEP has been criticized by some (e.g. Sengupta 2017; Nataraj 2016). According to Nataraj (2016), the potential impact of TPP on India will be through three avenues, namely: (a) diversion of trade; (b) decline in FDI; and (c) geopolitical exclusion. Dahejia (2015) argues otherwise: when a country preferentially reduces trade barriers with its partners in a PTA, it is simultaneously keeping in place—or perhaps, even raising — trade.

Paper:8 A comparative analysis of China and India in the European Union

Maria Paula Fontoura May 2011

Regarding competitiveness evaluated with the constant market share approach, a relevant conclusion is the predominance of this effect as a component of the export performance of China. In India this effect is also relevant but export performance is mainly explained by the product effect, i.e. the specialization pattern. The competitive effect is particularly relevant in products as Textile products, Electronic apparatus or in Machinery and other similar instruments in the case of China. Another relevant conclusion is that both countries display a vast room to expand exports to the European market, mainly China (around 80% of total exports in 2009, while India records around 30% of total exports.). It is noteworthy that while India registers more trade potential in products related with the Agricultural sector, in China stands the Machinery sector, reinforcing the trend of specialization observed in each country.

Paper:9 INDIA AND CHINA IN WTO Building Complementarities and Competitiveness in the External Trade Sector

Prof. T P Bhat, Team Leader

Mr Atulan Guha Dr Mahua Paul April, 2006

In the contemporary world, both India and China are fast growing economies. They are expected to be the engines of global economic growth in the current century. In recent years, both the economies are developing closer economic relations with each other and concluding regional economic cooperation arrangements with other Asian countries. This complementarities strength of the two economies can be exploited for mutual gains. The large size of their economies and geographical proximity will facilitate exploitation of these synergies. In labor-intensive products, both countries are competitive. The statistical methods employed, namely complementarity index, trade overlap index and Grubel-Lloyd index show that in Indo-China bilateral trade intra-industry trade plays a minor role. India showed a comparative advantage over its competitors in the Chinese market in certain items of textiles, leather products, chemicals, engineering and granite.

Research Aims

To understand how China and India Impacts on Indian Economy and Trade Relations between India and China.

Research Methodology

METHODS FOR DATA COLLECTION

Methods for data collection

Secondary Data

Secondary Data

Secondary source of data was collected from

Books, Journals, Magazines & Internet

RESEARCH DESIGN

Exploratory research doesn't seek to offer definitive, indisputable answers to problems; rather, it seeks to deepen our understanding of a subject. The goal of this kind of research is to offer a more comprehensive explanation for a phenomenon that is currently not well understood.

SOURCES OF DATA

Secondary Data

Secondary Data

Secondary resources such as print publications, online databases, and databases were used.

DATA COLLECTION INSTRUMENT

Data taken from Word Bank: Nominal, PPP, Nominal per capital, PPP capital

Research Analysis**BEFORE COVID**

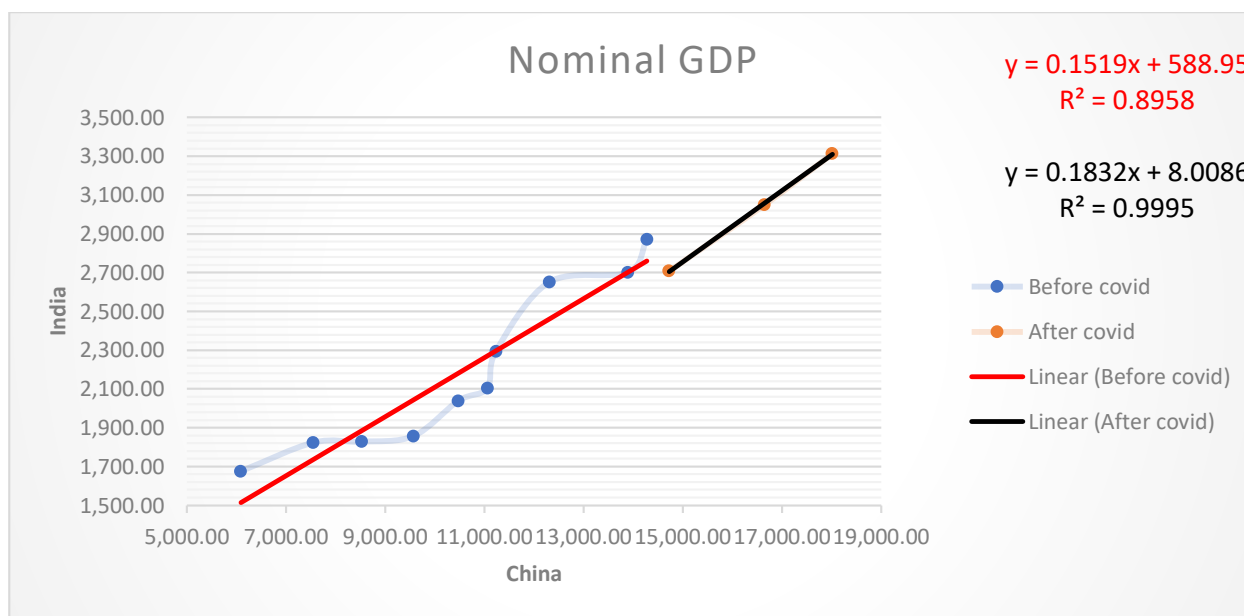
year	Nominal GDP		PPP GDP		Nominal GDP Capita		PPP GDP Capita		Growth (%)	
	China	India	China	India	China	India	China	India	China	India
2019	14,279.90	2,870.50	23,443.70	9,562.01	10,217	2,101	16,773	6,998	5.95	4.042
2018	13,894.80	2,701.11	21,739.10	9,029.38	9,977	1,997	15,609	6,675	6.75	6.533
2017	12,310.40	2,651.47	19,887.00	8,276.93	8,879	1,981	14,344	6,183	6.947	6.795
2016	11,233.30	2,294.80	18,712.10	7,735.00	8,148	1,733	13,573	5,840	6.849	8.256
2015	11,061.60	2,103.59	17,796.70	7,159.80	8,067	1,606	12,979	5,465	7.041	7.996
2014	10,475.70	2,039.13	17,121.30	6,781.02	7,679	1,574	12,550	5,234	7.426	7.41
2013	9,570.41	1,856.72	16,185.10	6,477.52	7,051	1,450	11,924	5,057	7.766	6.386
2012	8,532.23	1,827.64	15,124.50	6,153.16	6,317	1,444	11,198	4,861	7.864	5.456
2011	7,551.50	1,823.05	13,844.40	5,618.38	5,618	1,458	10,300	4,494	9.551	5.241
2010	6,087.16	1,675.62	12,378.80	5,229.33	4,550	1,358	9,254	4,237	10.636	8.498

(Table no.1)

AFTER COVID

year	Nominal GDP		PPP GDP		Nominal GDP Capita		PPP GDP Capita		Growth (%)	
	China	India	China	India	China	India	China	India	China	India
2020	14,722.84	2,708.77	24,142.83	8,907.12	10,484	1,965	17,192	6,461	2.27	-7.965
2021	16,642.32	3,049.70	26,656.77	10,207.29	11,819	2,191	18,931	7,333	8.437	12.546
2022	18,013.40	3,312.95	28,779.53	11,161.96	12,763	2,358	20,392	7,943	5.574	6.932

(Table no.2)

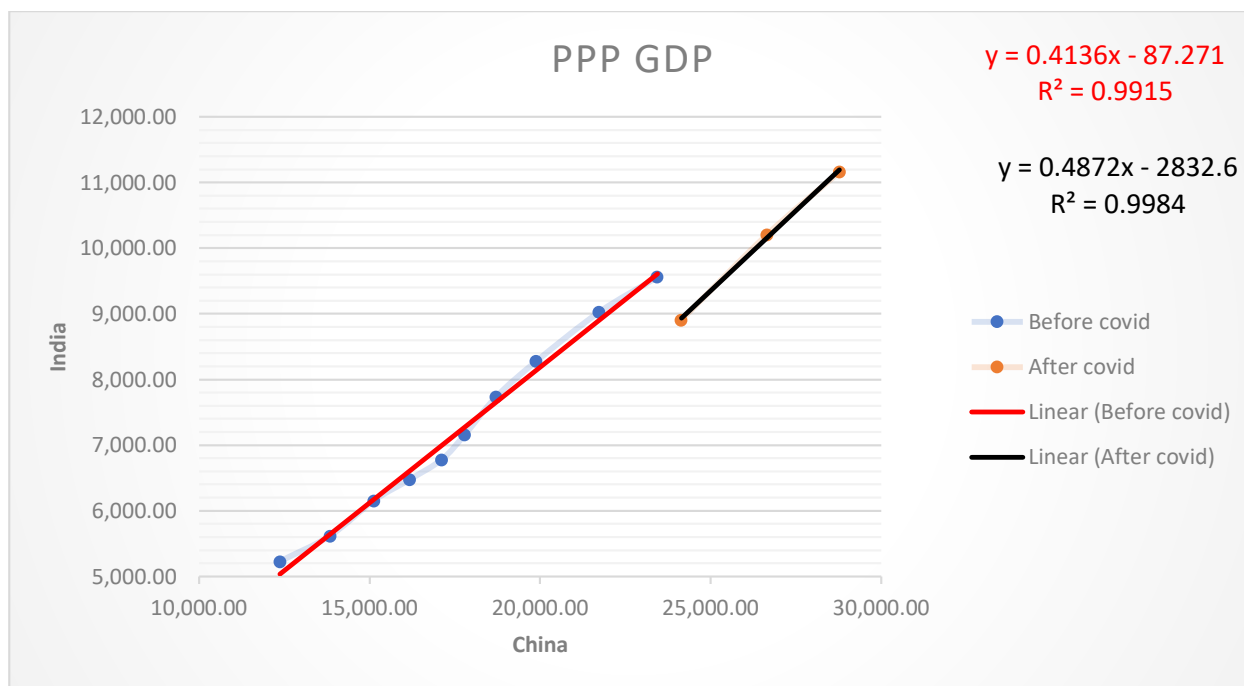


(Figure no.1)

	Before COVID	After covid
Corelation	0.95	1.00
Slop	\$ 0.15	\$ 0.18
Intercept	\$ 588.95	\$ 8.01
Regression	0.8958	0.9995

(Table no.3)

Interpretation: As per the above the above demonstrated graph, we can see that before covid the China was leading correspondent into the international trades where the China has been highly scaled at 15000 where India has been at 2900. So, the corelation further evaluated with 0.5 of difference in coordination to slop at 0.03 and the intercept has been hitted hard from \$588.95 to \$8.01(after covid). So, the final evaluation can be carried out as the China has been devastating into the international trade affairs and India is upscaling the International Market.

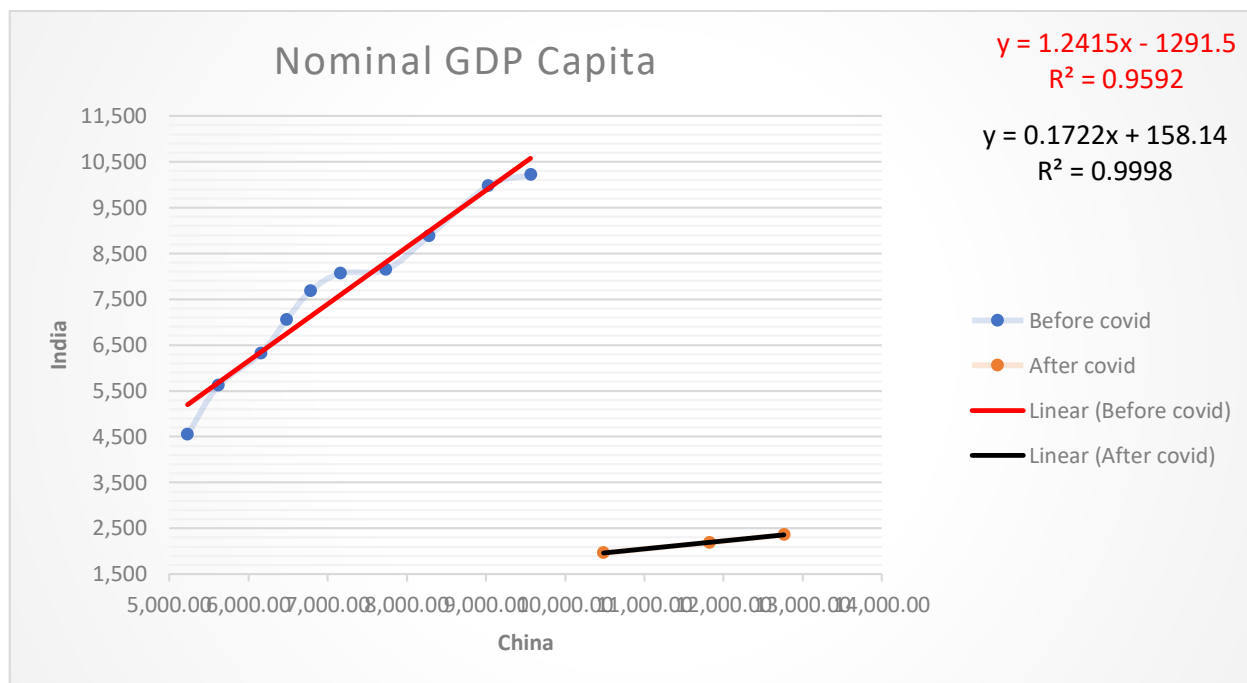


(Figure no.2)

	Before covid	After covid
Corelation	1.00	1.00
Slop	\$ 0.41	\$ 0.49
Intercept	\$ 87.27	\$ 2832.6
Regression	0.9915	0.9984

(Table no.4)

Interpretation: As per the above the above demonstrated graph, we can see that before covid the China was leading correspondent into the international trades where the China has been highly scaled at 24500 where India has been at 9600. So, the Regression further evaluated with 0.065 of difference in coordination to slop at 0.08 and the intercept has been hitted hard from \$87.25 to \$2832.6(after covid). So, the final evaluation can be carried out as the China has been devastating into the international trade affairs and India is upscaling the International Market.

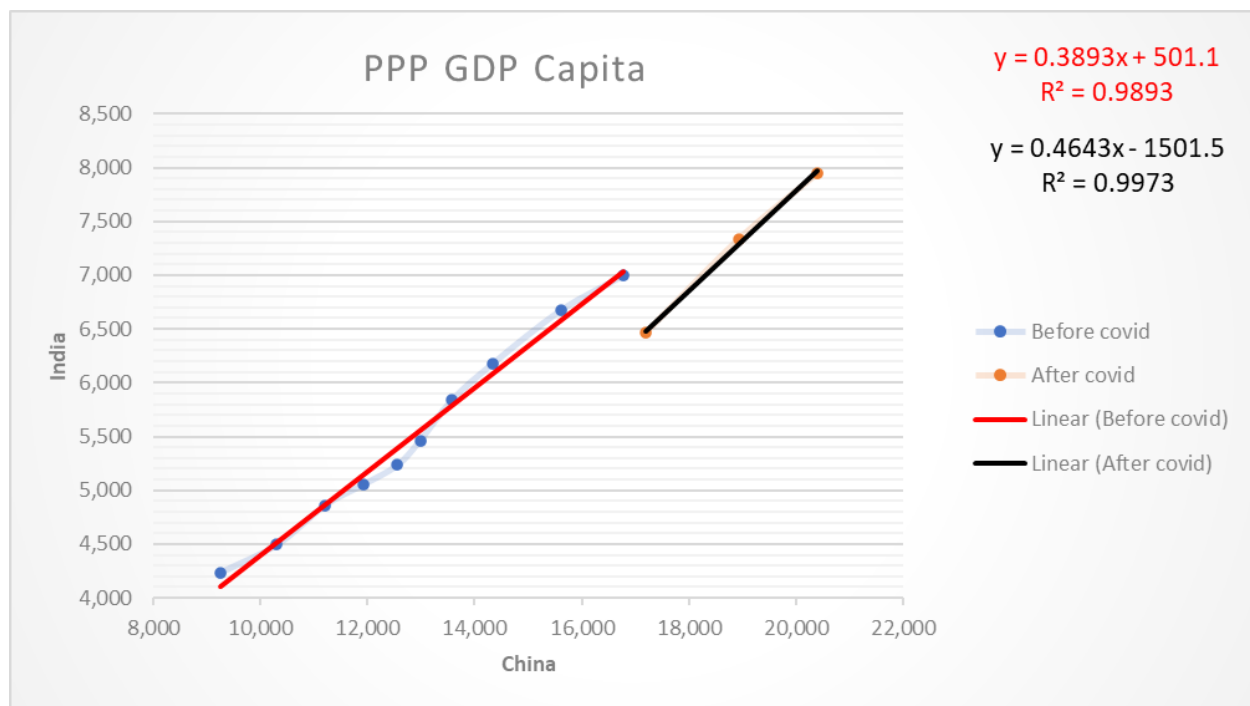


(Figure no.3)

	Before covid	After covid
Corelation	0.93	1.00
Slop	\$ 1.24	\$ 0.17
Intercept	\$ 1291.5	\$ 158.14
Regression	0.9592	0.9998

(Table no.5)

Interpretation: As per the above the above demonstrated graph, we can see that before covid the China was leading correspondent into the international trades where the China has been highly scaled at 10000 where India has been at 9800. So, the corelation further evaluated with 0.07 of difference in coordination to slop at 1.07 and the intercept has been hitted hard from \$1291.5 to \$158.14 (after covid). So, the final evaluation can be carried out as the China has been devastating into the international trade affairs and India is upscaling the International Market.

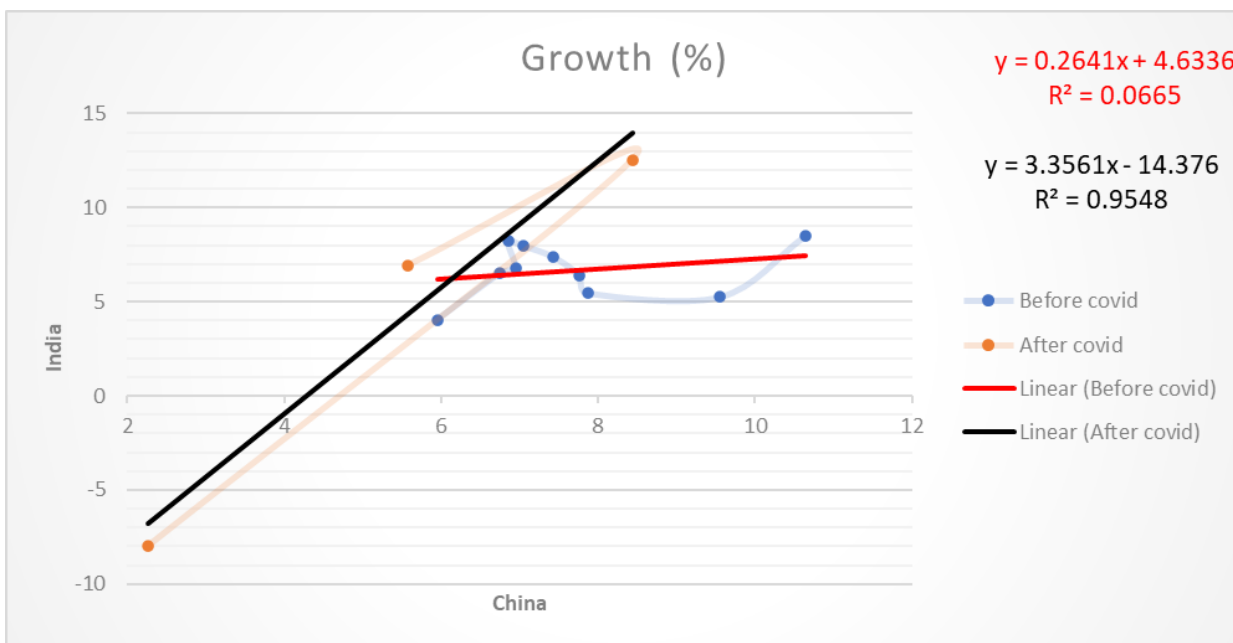


(Figure no.4)

	Before covid	After covid
Corelation	0.99	1.00
Slop	\$ 0.39	\$ 0.46
Intercept	\$ 501.1	\$ 1501.5
Regression	0.9893	0.9973

(Table no.6)

Interpretation: As per the above the above demonstrated graph, we can see that before covid the China was leading correspondent into the international trades where the China has been highly scaled at 17000 where India has been at 7000. So, the corelation further evaluated with 0.01 of difference in coordination to slop at 0.07 and the intercept has been hitted hard from \$501.1 to \$1501.5 (after covid). So the final evaluation can be carried out as the China has been devastating into the international trade affairs and India is upscaling the International Market.



(Figure no.5)

	Before covid	After covid
Corelation	0.26	0.98
Slop	\$ 0.26	\$ 3.36
Intercept	\$ 4.63	\$ 14.38
Regression	0.0665	0.9548

(Table no.7)

Interpretation: As per the above the above demonstrated graph, we can see that before covid the China was leading correspondent into the international trades where the China has been highly scaled at 9.5% where India has been at 8.5%. So, the correlation further evaluated with 0.72 of difference in coordination to slop at 3.1 and the intercept has been hitted hard from \$0.0665 to \$0.9548 (after covid). So, the final evaluation can be carried out as the China has been devastating into the international trade affairs and India is upscaling the International Market.

Conclusion

The world is experiencing dynamic and unprecedented growth. The United States and China are competing with each other over imposing import and export taxes. you. The US started a trade war with China by introducing phase one tariffs to reduce its trade deficit. China first turned to the World Trade Organization (WTO) with a request to resolve the issue through negotiations. Many of the leaders also met some famous people in the United States. Tried to build his influence. However, all his efforts were not met with positive reactions and results. So China later responded to the US by imposing the same tariff rate as the US. Created trade barriers. There is no doubt that some global economies and asset markets will suffer as the trade war forces many countries to adopt protectionist trade policies. Before it reaches India and destroys it brick by brick, India needs a proper plan and strategy to shape a trade war between the US and China that can boost the Indian economy. India must understand the need to take advantage of the situation and take the right steps. India has an opportunity that it can readily exploit by substituting US exports to China. A number of products have been identified that India could export to China to reduce the trade deficit. Moreover, China is opening its markets to India by lifting transfer bans on several Indian goods that India can currently export to China.

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