

COLONIAL NATURE OF BILATERAL TRADE BETWEEN INDIA AND CHINA

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ABSTRACT

International trade is an important element of economic growth. This study is an attempt to analyse the trends of patterns of trade of USA, China and India with each other. An attempt has also been made in this study to identify the changing trends of trade among these countries from the year 2001 to 2020. The composition of trade between India, China and USA has also been analysed in this paper from the year 2001 to 2020. The study reveals that the nature of trade between India and China for the period of study was of colonial nature. Colonial trade is trade between the imperialist states and dependent countries aimed at the exploitation of the latter. The trend of trade between India and China shows that India exports low value raw materials to China and imports high value manufactured goods from China. The study also shows Herfindahl –Hirschman Index to measure export and import market concentration among these three countries.

KEYWORDS: *International Trade, Trend, Colonial, Exports, Imports, Market Concentration*

INTRODUCTION

In the 1960s to 1990s, the strategy which was used by many developing countries to achieve the speed of economic growth was of import-substitution. But the developing countries had to adopt an outward looking policy by means of using exports to achieve economic growth as the strategy of import substitution failed to yield the desired results. It is seen in the last 30 years that the developing countries have also emerged as very strong players in international trade.

When we look at India's exports to China, we see that there is growth in India's exports to China over the last few years and its imports have fallen. But when looked upon more closely, the unequal bilateral trade is revealed between the years 2000-01 to 2019-20. This paper attempts to examine the concentration index of exports and imports of the selected countries, that is, India, China and the USA. Export concentration index is a measure of the degree of export market concentration by country of origin for each product. It tells us if a large share of commodity exports are accounted for by a small number of countries or, on the contrary, if exports are well distributed among many countries. Also the concentration index of exports estimates a country's dependence on a limited group of commodities as its primary source of foreign exchange income.

OBJECTIVE

- To study the pattern of trade balance among India, China and USA.
- To study the concentration of export and imports among India, China and USA.
- To study the trade between India and China assuming that the nature of trade between them is colonial.

HYPOTHESIS

- There is no colonial trade between India and china.
- There is no colonial trade between India and USA.
- There is no colonial trade between USA and China.

METHODOLOGY

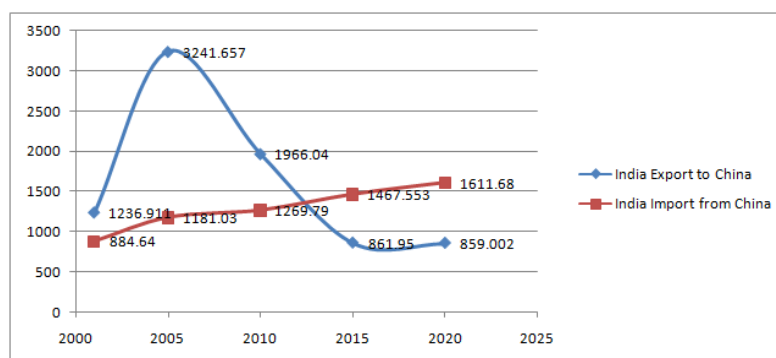
The present study is based on secondary data. The sources for the study are official website of International Trade Center, Trade Map (Trade statistics for international business development). Herfindahl-Hirschman Index is used to measure the export and Import concentration among the three countries India, China and USA. A high Herfindahl-Hirschman Index generally indicates less competition and High concentration in the market with dominant players. A small index indicates a competitive industry with no dominant players. Comparative analysis is done between the countries with the help of graphs. The time period taken into account is 2001 to 2020.

REVIEW OF LITERATURE

Farooqui (2016) attempts to examine the Bilateral Trade and Economic Growth between China and India and also draws attention to outcome of trade and economic cooperation in future. The paper investigates the major trends and changes in the Import Export, Terms of Trade (TOT), Total Trade, Gross Domestic Product (GDP), and Trade Openness. The findings of the paper reveal that China has been a leading trading partner of India. The results clearly showed that there is supremacy of China over India in terms of trade balance, but India also shows signs of exceptional growth and is among the prominent growing economies of the world.

Galistcheva & Nebolsina (2021) investigates India's trade and investment relations with its two major trading partners, viz. the USA and China between 2000-2010. The paper analyses the possibilities for expanding interstate interactions and the difficulties the countries might face. By comparing the scale and particulars of the product structure of Indo-American and Indo-Chinese trade, the authors shows that intra-industry trade between India and the USA is at a fairly high level, which, in turn, is not the case for the trade between India and China, which is majorly inter-industry due to the minimum cooperation of Indian and Chinese entrepreneurs.

ANALYSIS AND INTERPRETATION OF RESULTS

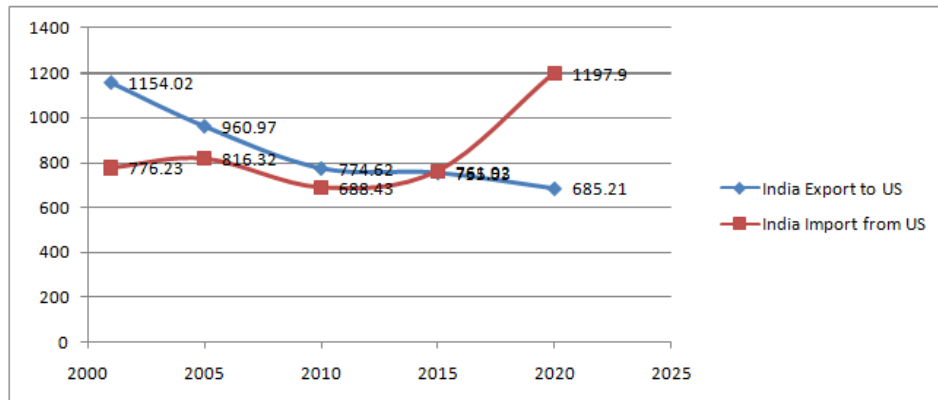


Source: Compiled by Author on the basis of Data from International Trade Centre

Figure 1: Market Concentration of India's Exports to China and India's Imports from China.

Figure 1 shows the market concentration of India’s exports to China and India’s imports from China from the year 2001 to 2020 based on Herfindahl-Hirschman Index. It is seen from Figure 1 that market concentration of India’s exports to China in the year 2001 was unconcentrated but from 2001 onward till 2005 the market concentration of India’s exports to China transformed into highly concentrated market. Further it is seen that after 2005, the market concentration of India’s exports to China has again steadily became unconcentrated till 2015 and continue to be the same till 2020.

On the other hand in Figure 1, it is seen clearly that the market concentration of India imports from China in 2001 was unconcentrated but there is a continuous upward trend till 2020 towards a moderately concentrated market.

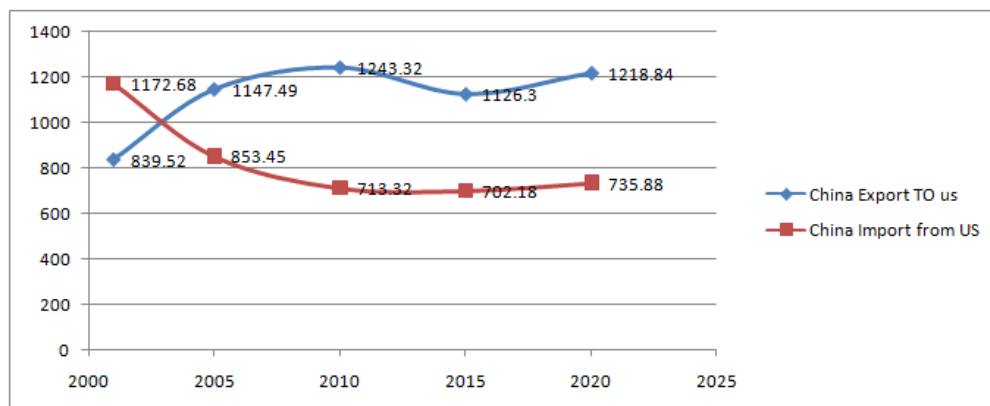


Source: Compiled by Author on the basis of Data from International Trade Centre

Figure 2: Market Concentration for India’s Export’s to USA and India’s Import’s from USA.

Figure 2 shows the market concentration of India’s exports to the USA and India’s imports from the USA. It is seen clearly from Figure 2 that market concentration of India’s exports to the USA from 2001 to 2020 has remained unconcentrated with the trend showing that the market concentration of India’s exports to the USA is moving consistently towards more unconcentrated market steadily.

On the other hand, it is seen from Figure 2 that market concentration of India’s exports to the USA from 2001 to 2020 shows the trend that the market concentration is moving towards concentrated market after 2015. Till 2005, the market concentration of India’s imports from the USA remained consistently unconcentrated but after 2015 the imports from the USA market is moving towards concentration.



Source: Compiled by Author on the basis of Data from International Trade Centre

Figure 3: Market Concentration for China Export to USA and China Import from USA.

Figure 3 shows the market concentration of China's exports to the USA and China's imports from the USA. It is seen from Figure 3 that the market concentration of China's exports to the USA has remained unconcentrated from 2001 to 2020. It is seen that the trend of market concentration of China's exports to the USA is moving towards moderately concentrated market but has not yet reached that stage.

On the other hand, market concentration of China's imports from the USA has remained unconcentrated from 2001 to 2020 and the trend shows that the market concentration has stayed at the levels of unconcentrated market.

ITEMS OF EXPORT FROM INDIA TO CHINA AND ITEMS OF IMPORT FROM CHINA TO INDIA

In 2001, The Main Items of India's Export to China Included

- Ores, slag and ash
- Plastic and articles thereof
- Organic chemicals
- Fish and Crustaceans, molluscs and other aquatic invertebrates
- Cotton

In 2020, The Main Items of India's Exports to China Included

- Ores, slag and ash
- Organic Chemicals
- Iron and Steel
- Mineral fuels, mineral oils and products of their distillation, bituminous substances, minerals etc
- Cotton

It is seen that items of India's exports to China from 2001 to 2020 included primary goods mainly.

In 2001, The Main Items of India's Import from China Included

- Organic chemicals
- Mineral fuels, mineral oils and products of their distillations, bituminous substances, minerals
- Machinery, mechanical appliances, nuclear reactors, boilers, parts thereof
- Electrical machinery and equipment and parts thereof, sound recorders and reproducers, television etc
- Silk

In 2020, The Main Items of India's Imports from China Included

- Electrical machinery and equipment and parts thereof, sound recorders and reproducers, television etc
- Machinery, mechanical appliances, nuclear reactors, boilers, parts thereof

- Organic chemicals
- Plastics and articles thereof
- Fertilizers

It is seen that India's imports from China include mainly finished products/secondary products like machinery, fertilizers etc.

ITEMS OF EXPORT FROM CHINA TO USA AND ITEMS OF IMPORT FROM USA TO CHINA

In 2001, The Main Items of China's Exports to USA Included

- Electrical Machinery and equipment and parts thereof, sound recorders and reproducers, television etc
- Machinery, mechanical appliances, nuclear reactors, boilers, parts thereof
- Footwear, gaiters, and the like, parts of such articles
- Toys, games and sports requisites, parts of accessories thereof

In 2020, The Main Items of China's Exports to USA Included

- Electrical Machinery and equipment and parts thereof, sound recorders and reproducers, television etc
- Machinery, mechanical appliances,
- Furniture, bedding, mattress, mattress supports, cushions and similar stuffed furnishing etc
- Games and sports requisites, parts of accessories thereof

It is seen that main items of China's exports to USA included finished goods like electrical machinery, furniture etc. There are very little primary goods among top exports of China to USA.

In 2001, The Main Items of China's Imports from USA Included

- Electrical Machinery and equipment and parts thereof, sound recorders and reproducers, television etc
- Machinery, mechanical appliances, nuclear reactors, boilers, parts thereof.
- Optical, Photographic, cinematographic, measuring checking, precision, medical and surgical etc
- Aircraft, spacecraft, parts thereof

In 2020, The Main Items of China's Imports from USA Included

- Electrical Machinery and equipment and parts thereof, sound recorders and reproducers, television etc
- Machinery, mechanical appliances, nuclear reactors, boilers, parts thereof.
- Optical, Photographic, cinematographic, measuring checking, precision, medical and surgical etc
- Oil seeds and oleaginous, fruits, miscellaneous grains, seeds and fruit, industrial and medicinal.

It is seen that the main items of China's import from the US included finished goods like electrical machinery and other machinery.

ITEMS OF EXPORT FROM INDIA TO THE USA AND ITEMS OF IMPORT FROM USA TO INDIA

In 2001, The Main Items of India's Exports to USA Included

- Natural or cultural pearls, precious and semi precious stones, precious metals, metals clad etc
- Articles of apparel and clothing accessories not knitted or crocheted
- Other made-up textile articles, sets, worn clothing, worn textile articles
- Mineral fuels, minerals oils, products of their distillation, bituminous substances mineral etc

In 2020, The Main Items of India's Exports to USA Included

- Natural or cultural pearls, precious and semi precious stones, precious metals, metals clad etc
- Pharmaceutical
- Machinery, mechanical appliances, nuclear reactors, boilers, parts thereof.
- Electrical Machinery and equipment and parts thereof, sound recorders and reproducers, television etc

It is seen that the main items of India's export to US include mainly finished products like clothing, pharmaceuticals, machinery etc.

In 2001, The Main Items of India's Imports from USA Included

- Machinery, mechanical appliances, nuclear reactors, boilers, parts thereof.
- Electrical Machinery and equipment and parts thereof, sound recorders and reproducers, television etc
- Optical, Photographic, cinematographic, measuring checking, precision, medical and surgical etc
- Natural or cultural pearls, precious and semi precious stones, precious metals, metals clad etc

In 2020, The Main Items of India's Imports from USA Included

- Mineral fuels, minerals oils, products of their distillation, bituminous substances mineral etc
- Natural or cultural pearls, precious and semi precious stones, precious metals, metals clad etc
- Machinery, mechanical appliances, nuclear reactors, boilers, parts thereof
- Electrical Machinery and equipment and parts thereof, sound recorders and reproducers, television etc

It is seen that the main items of India's imports from the US included finished goods, mainly machinery and mineral oils.

It is clear from the above discussion that the main items of trade between India and the USA and between USA and China are primarily finished goods. But when we analysed the main items of trade between India and China, it comes to the notice that India mainly exports raw materials or primary goods to China such as organic chemicals, mineral ores

and silk etc. while India imports mainly secondary and finished goods from China like machinery, electrical machinery etc. Hence it can be concluded that the nature of trade between India and china is colonial with China importing raw material and primary goods from India and exporting finished goods or secondary goods to India.

CONCLUSIONS

It can be concluded from the above analysis that market concentration of India's exports to China have transformed from unconcentrated to highly concentrated and again transformed to unconcentrated. On the other hand the market concentration of India's imports from China have also been unconcentrated but in the recent years the trend is moving towards moderately concentrated market although it has not yet reached that stage. The market concentration of India's imports from the USA and India's exports to USA has remained unconcentrated throughout the period of study and similar is the case with trade between China and the USA.

India's imports from China are complex manufactured goods, while exports to China are low-value goods. When we analysed the main items of trade between India and China, it comes to the notice that India mainly exports raw material or primary goods to China such as organic chemicals, mineral ores and silk etc while India imports mainly secondary and finished goods from China like machinery, electrical machinery etc. Hence it can be concluded that the nature of trade between India and China is colonial with China importing raw material and primary goods from India and exporting finished goods or secondary goods to India. Hence the hypothesis that there is no colonial trade relationship between India and China is rejected.

Also it is clear from the above discussion that the main items of trade between India and USA and between USA and China are primarily finished goods. The analysis shows that there is no colonial trade between India and USA and between USA and China. Hence the hypotheses that there is no colonial trade between India and USA and there is no colonial trade between USA and China is not rejected.

The focus of the policy makers should be towards diversification of trade items as well as developing India into a manufacturing hub. This will not only help in decreasing the India's trade deficit with China but also in reducing the colonial nature of trade between India and China.

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