INDO-CHINESE TRADE: UNEVEN PARTNERSHIP

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Abstract:

India and China are two emerging economic giants on global map. Their rise is good for the globe, which has enough space to accommodate the growth aspiration of the people in both the countries. The contribution of both economies to the global trade is significant. They can play a vital role in the creation and facilitation of global trade by enhancing their respective trade as well as their trade with each other. This paper analyzes the emerging trends in Chinese trade, Indo-China trade and explores the issues which are hampering the growth and development of trade between the two emerging economies of the world as there has been enormous potential of expansion and diversification of trade. The paper further gives guide-posts for improving the trade relation between India and China.

Keywords: *China's exports, China's imports, India's imports from China, India's Exports to China; India's balance of Trade with China.*

Date of submission: 22nd July 2014 – Date of approval: 10nd January 2015.

The emergence of China as the second largest economy is a significant development in the recent years on the global map. This has become possible by adhering on export-led growth. In 2013, China has emerged out as the biggest trading country in the world, outclassed the USA and the trade surplus of China amounted to US$ 259 billion. Chinese share in the global trade is around 5 per cent resulting into substantial increase in the Chinese volume, value of trade and trade surplus. China and India are ranked among the top emerging markets of the globe today and are being seen as economic powerhouses for coming times. The recent visit of Chinese President to India

has created a more conducive and coherent environment for expansion of trade between India and China. Bilateral trade between the

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[**] Professor of Economics, Phd, College of Economics, Jinan University, Guangzhou, China, 510632. E-mail: liudxx@aliyun.com; tliudx@jnu.edu.cn1 The prominent Industrial Organization economist, Jean Tirole, has won the 2014 Nobel Prize in Economics for his analysis of market power and regulation.

two countries stood at US$ 65 Billion in 2013-14 and it is expected to touch upon a target of US$ 100 billion by the end of 2015.

1. Growth of China's Foreign Trade:

Affected by the global financial crisis, China's trade surplus has reduced year by year between 2009 and 2014 (**Table 1)**. But the imports and exports situation of China gradually recovered from the financial crisis. The exports have recovered along with the growth of imports in the past four years, and the growth rate of exports tends to be more slowly than imports. In 2009, China's exports were amounted to US $1201.6 billion, while imports were worth of US $1005.6 billion, resulting into $196.06 billion trade surplus. In 2011, China's exports were US $1898.6 billion, while imports were US $1743.5 billion, resulting in a trade surplus of $155.14 billion. However, in 2012, China's exports were US $ 2048.9 billion, while imports were US $1817.8 billion, resulting in a trade surplus of $231.1 billion. The level of the trade surplus returned to the level of the trade surplus in 2009. In 2013, China has exports worth 2210.04 billion US$ and imports worth 1950.29 billion US$ while trade surplus was 259.75 billion US$. In 2014, (excluding data for December) China's exports were 2115.36 billion US$ and imports were 1782.89 billion US$ resulting into a trade surplus of 332.47 billion US$, an increase of 72.72 billion US$ as surplus owing to a decrease in imports.

Since 2013, the world economy shows some positive signs. The international market demand has picked up, and the effectiveness of steady growth of foreign trade policy measures has continued to emerge. Hence China's foreign trade continued to go steady upward trend since the end of last year. In the first quarter of 2013, the total of goods import and export amounted to US $974.67 billion, up 13.4% from a year earlier, and its growth rate rebounded by 6.1% than the same period last year. The total exports were $508.87 billion, up 18.4% and the imports were $ 465.8 billion, an increase by 8.4%. Affected by the Spring Festival of China, the growth rate between the monthly imports and exports fluctuated greatly. Exports were up by 25% 21.8% and 25% respectively in January, February and March, and imports were up by 29%, down 15.2% and up 14.1% respectively at the same period. The trade surplus was US $43.07 billion, accounting for the proportion of gross domestic product (GDP) of 2.3%. In the month of April, the China's imports and exports were amounted to US $355.96 billion, with the growth rate of 15.7%. Exports were US $187.06 billion, up by 14.7%. Imports were US $168.9 billion, up by16.8%. Trade surplus was US $18.16 billion.

Table 1: Trends in Foreign Trade of China: 2009-2014

Year	Exports in US $ Billion	**Imports in US $ Billion**	**Trade Surplus in US $ Billion**
2009	1201.66	1005.60	196.06
2010	1577.93	1394.83	183.10
2011	1898.60	1743.46	155.14
2012	2048.93	1817.83	231.11
2013	2210.04	1950.29	259.75
2014	2115.36	1782.89	332.47

Source: Ministry of Commerce Website; Government of China.

Note: Data for 2014 is for the months January to November 2014 as data for December is not available on the respective ministry website.

China has exported US $163.33 billion of new high-tech products in the first quarter with enterprises continuously improving the technology content of products and industries have been advanced and increased in China, it was up 28.4% higher than the overall export growth by 10%. And imports of new high-tech products were US $136.48 billion, an increase of 27.0%, higher than the overall imports growth by 18.6%. Mechanical and electrical products exports were US $298.54 billion, increased by 18.1%, accounted for 58.7% of the total exports during the same period. And imports of Mechanical and electrical products were US $198.95 billion, increased by 14.5%, higher than the overall imports growth by 6.1%. Labor-intensive products export growth has increased, and clothing, textiles, footwear, furniture, plastic products, bags and toys and so on, seven kinds of labor-intensive products exports grew by 21.8%. Under the situation of slow growth in Chinese industrial products and lower price in the international market, the prices and quantities of main commodity imports fell along. Imports of crude oil and its average prices fell by 2.3% and 2.5% respectively. Imports of refined oil and its average prices fell by 3.4% and 8.6% respectively. Unwrought copper and copper imports and its average prices fell by 28.9% and 0.8% respectively. The prices of iron ore imports fell 6.3%, zero growth in import.

Based on the international and Chinese environmental, the trade conditions of China in 2013 is slightly better than that in 2012, but still serious in terms of air pollution especially in case of Shanghai. The challenges and pressure that foreign trade development faces embody in the following three aspects: Firstly, the international market demand hasn't got improved fundamentally. Both residents' consumption and business investment are lacking of growth motivation in developed countries. The overall demand is still weak for the global economy. But demand in emerging economies is relatively stable; however, it fail to offset the impact of economic gloomy from developed countries. According to the estimation of WTO (WTO Report 2013), the growth rate of global trade in 2013 is merely 3.3%, which is well below 5.3%, the level in the past 20 years. Secondly, with the cost of factors increasing and RMB appreciation, it weakens the competition in some sectors. The cost of factors such as labors and land kept rise in China. As a result, the international competitions are undermined in those low value-added and labor-intensive export industries. In some export-oriented industries in coastal areas, purchasing orders are transferring to overseas, which affect the export growth potential in the way. As developed countries are competing to introduce quantitative easing policies, the pressure of RMB appreciation is increasing, further squeezing margins of the enterprises, impacting the enthusiasm of enterprises to export and receive orders. According to the Bank for International Settlements, the real effective exchange rate of RMB has appreciated 6.1 percent during the period from September 2012to March 2013. Thirdly, the impact of trade friction keeps rising. Due to the weak economic recovery, some countries take trade protection measures frequently to seize market share and improve industrial competitions. Trade friction against Chinese productions is still on the rise. During the past 4 years, China has suffered 328 trade remedy investigations in total with US $53.4 billion involved, presenting new characteristics such as large involving amount, using a variety of remedy measures and politicizing trade issues. Chinese productions have faced more trade frictions since 2013, for instance, 12 countries have taken 22 trade remedy investigations towards China in the first quarter, with year-on-year growth of 22.2 percent.

China is set to become the top importer of investment equipment such as machinery for power generation, metal working machinery, and office equipment by 2030 as it continues to invest in manufacturing productivity. China's total exports and total imports have got momentum in the month of October 2013 (**Table 2**). This has become possible because of the improvement in the global trading environment on the one hand and on the other hand the internal demand remained steady. The improved global trading environment in the month of October 2013 has resulted into the attaining of the 8 per cent trade growth fixed for 2013.

China's foreign trade performance was satisfactory in October 2013, with exports and imports regaining steam more quickly than anticipated. China's foreign trade environment is smooth enough, as the demand from the USA and the EU (two largest trading partner of China) has rebounded. Chinese total imports have remained robust since the beginning of mid-year 2013 resulting into an improvement in the internal demand of the goods.

Chinese total foreign trade went up by a margin of 6.5 per cent year-on-year basis. Chinese total exports witnessed an increase of 5.6 per cent as against a close to 0.3 per cent decrease in September 2013. On the other side of it, Chinese total imports enhanced by a margin of 7.6 per cent faster than the 7.4 per cent growth pace in the month of September, yielding a trade surplus of US $ 31.1 billion, the largest rise as far as this year is concerned.

Table 2: Trends in the Growth in China's Foreign Trade in 2013 and 2014 (Month-wise)

(In % y-o-y)

Month	Total Exports	Total Imports
January (2013)	24.9	29.56
February (2013)	21.76	-15.00
March (2013)	9.99	14.15
April (2013)	14.62	16.70
May (2013)	-0.92	-0.35
June (2013)	-3.09	-0.75
July (2013)	5.11	10.93
August (2013)	7.16	7.03
September (2013)	-0.25	7.42
October (2013)	5.60	7.60
November (2013)	12.7	5.3
December (2013)	4.3	8.3
January (2014)	10.6	10.0
February (2014)	-18.1	10.1
March (2014)	-6.6	-11.3
November (2014)	4.7	- 6.7

Source: China Daily (Business); November 9-10, 2013 &Ministry of Commerce Website; Government of China.

Note: After March (2014), data for November (2014) is shown due to the fact that the Ministry Of Commerce (China) has directly updated the data from March (2014) to November (2014) thus skipping the data for the months February (2014) to October (2014).

Data cited in Table 1, reveals that in the year 2013, Chinese foreign trade has fluctuating trends or erratic trends and the stability is the missing link. Month of May, June and September 2013 Chinese exports registered negative growth. Similarly, in the month of February, May, and June 2013, Chinese imports have recorded negative growth. However, in 2014, with respect to total exports, January and November shows a positive growth rate and February, March shows a negative growth rate. With respect to, imports in the year 2014, January and February shows a positive growth rate while March and November shows a negative growth rate. Growth trends in case of exports are more erratic than growth in imports [**Chart 1**].

Source: Prepared by the author from the data given in Table 2.

Note: Data for November 2014 has not been shown otherwise the chart wil become erractic as data for middle months are not avilaible.

2. Exports to Major Trading partners:

China's biggest trading partner is USA. Chinese exports to the USA have increased by a margin of 8.1 per cent which is being considered as the largest rise since the beginning of February 2013. This has been due to the fact that USA economy increased by a margin of 2.8 per cent in the third quarter which is the fastest rate in 2013.

China's second largest trading partner is the European Union (EU). China's total exports to the EU went up by bigger margin as compared to the US with a rise of 12.7 per cent in October 2013, the largest rise witnessed in case of EU since the beginning of February 2013. There has been a revival of economic growth in the EU and the crisis of sovereign debt crisis has also been easing out. This has resulted into the required amount of confidence in business and financial markets which is the sine-quo-non of creating favorable business climate.

Stronger and sound overseas demand of Chinese goods and services is responsible for creating the needed amount of confidence in the managers of Chinese economy which has fixed a target of 7.5 per cent Gross Domestic Product (GDP).

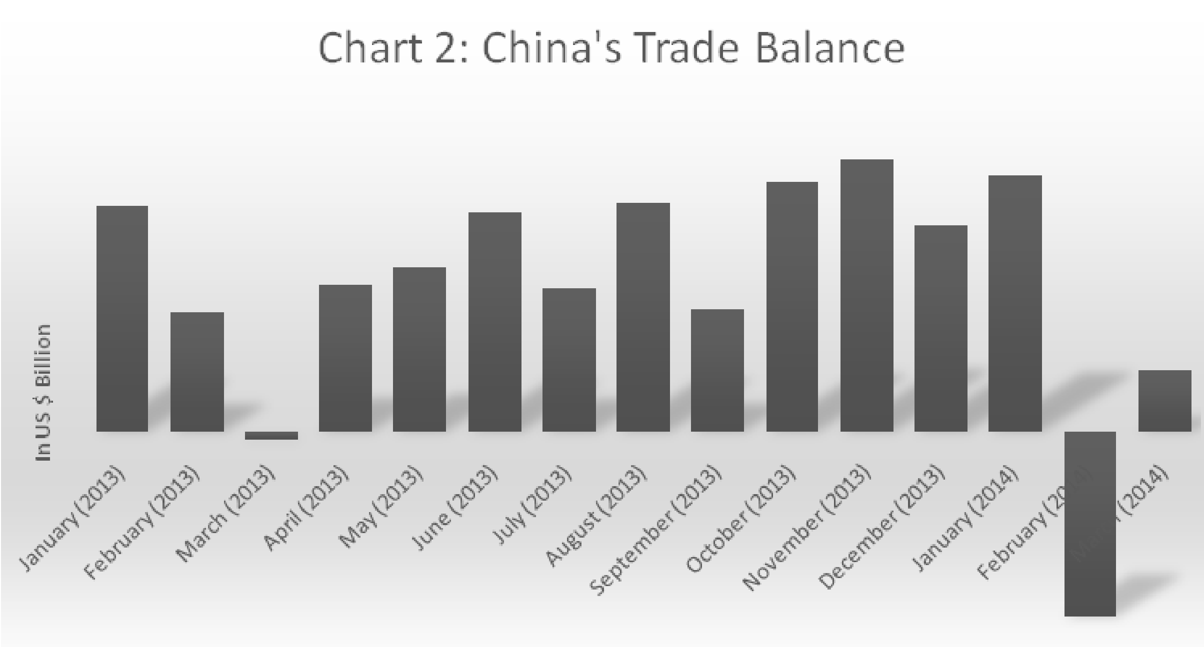
The Chinese total exports are gradually and steadily moving towards better performance, hence, resulting into continuous rise in trade surplus [**Table 3**] and due to these trends Chinese economy is likely to witness an increasing capital inflows as well as easing out of domestic liquidity. Emerging trends in China's trade balance could be seen from Chart 2.

Table 3: Trends in China's Trade Balance in 2013 and 2014 (Month-wise)

Month	Trade Balance in US $ Billion
January (2013)	28.1
February (2013)	14.9
March (2013)	-0.98
April (2013)	18.3
May (2013)	20.4
June (2013)	27.2
July (2013)	17.8
August (2013)	28.5
September (2013)	15.2
October (2013)	31.1
November (2013)	33.8
December (2013)	25.64
January (2014)	31.87
February (2014)	-22.99
March (2014)	7.71
November (2014)	54.47

Source: Wind Information, Beijing, 2013 &Ministry of Commerce Website; Government of China.

Note: After March (2014), data for November (2014) is shown due to the fact that the Ministry of Commerce (China) has directly updated the data from March (2014) to November (2014) thus skipping the data for the months February (2014) to October (2014).



Source: Prepared by the Author from the data given in Table 3.

Note: Data for November 2014 has not been shown otherwise the chart wil become erractic as data for middle months are not available.

The trade surplus between January and October 2013 was amounted to US $ 230.7 billion in 2012. Meanwhile, China's currency has appreciated by a margin of nearly 2.3 per cent against US dollar in 2013, the most among 11 major Asian currencies tracked by Bloomberg. Hence, a stronger Yuan affects China's exports in the global markets as it makes Chinese goods more expensive in dollar terms. China has a strong possibility of achieving 8 per cent trade growth target for 2013, as the demand from developed economies has significantly improved as compared to 2012.

As a whole China's trade has increased by 7.6 per cent and touched the level of US $ 3.4 trillion. Similarly, trade with US has witnessed an increase of 6.9 per cent and trade with EU went up marginally i.e. 05 per cent. Trade with ASEAN countries has recorded a considerable rise of nearly 11 per cent. But in case of China's trade with Japan it registered a decline of 7 per cent.

2. Indo-Chinese Trade:

China is currently India's second largest trading partner after the UAE. China accounts for nearly 5 per cent of India's total exports. India ran a trade deficit amounting to US $ 40 billion as compared to US $ 19.2 billion in 2009-10. India imported goods worth US $ 57.5 billion from China in 2011-12 (11 .8 per cent of India's total imports) and the imports in April- December 2012-13 were stood at US $ 41 billion (11.2 per cent of India's total exports).

Bilateral trade between India and China rose from a modest level of US $ 2.09 billion in 2001-02 to a higher level of US $ 75.59 billion in 2011-12 [**Table 4**]. In the year 2012-13 India's trade with China declined to US $ 67.83 billion. This has been due to decrease in India's exports to China from US $ 18.08 billion to US $ 13.53 billion.

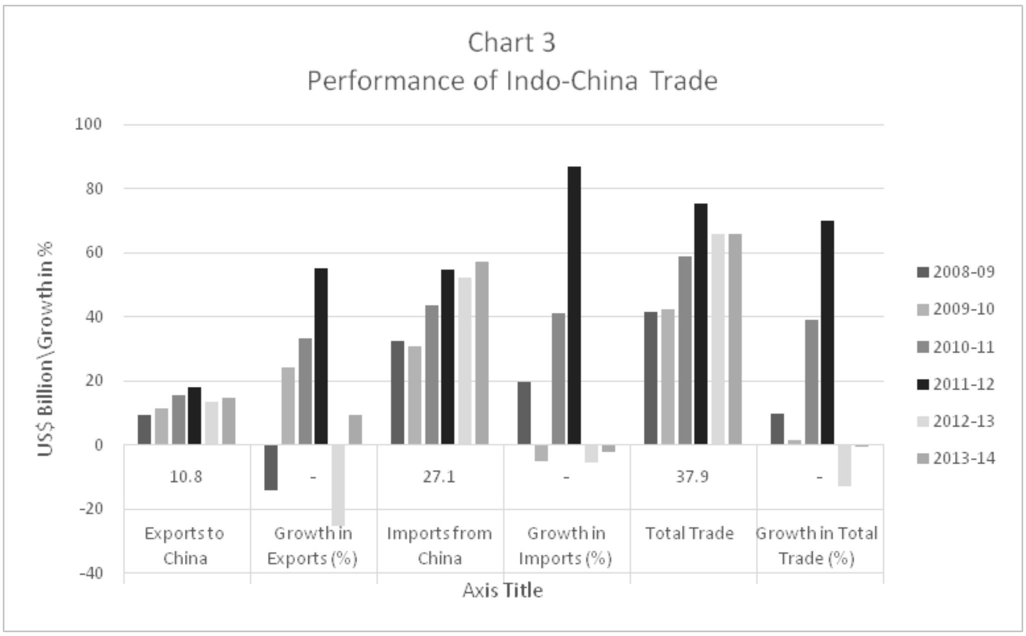
India and China are two biggest global markets, having huge potential and opportunities of

Table 4. Emerging Trends in Indo-China Trade between 2007-08 and 2013-14

Items	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Exports to China (US $ Billion)	10.80	9.30	11.60	15.48	18.00	13.54	14.83
Growth in Exports to China in %	-	-13.96	24.21	33.27	55.17	-25.12	9.53
Imports from China (US $ Billion)	27.10	32.40	30.80	43.48	57.50	52.25	51.03
Growth in Imports from China in %	-	19.71	-5.15	41.06	86.68	-5.54	-2.32
Total Trade (US $ Billion)	37.90	41.70	42.40	58.96	75.50	65.79	65.86
Growth in Total Trade in %	-	10.02	1.67	38.93	70.06	-12.86	0.12

Source: Ministry of Commerce, Government of India trade creation and facilitation. The industrial structures of both the economies are highly complementary. Both nations markets are connected and both economies are committed to market oriented reforms.

Statistics given in Table 4 shows that India's exports to China registered a growth of 66.66 per cent. India's imports from China recorded a growth of 112.17 per cent. Indo-China total trade witnessed a growth of 99.28 per cent. This means the rate of growth in India's imports from China is much higher than India's exports to China. The most significant trend is that Indo-China trade has recorded an increase of 99.28 per cent and this has been due to higher imports from China between 2007-08 and 2011-12 [**Chart 3**].



Source: Prepared by the Author from the data given in Table 4.

2.1. Exports to China:

Data cited in table 5 reveals that the top five categories export to China from 2008 to 2011 are minerals; textiles and textile materials; base metal and products; chemicals and related products; jewelry, precious metals and products, imitation jewelry, coin. The total exports of these five categories accounted for 90.3% of India's exports in 2008, while 84.6% in 2011.

Despite of the increase of the total exports, the export of minerals seems to decrease slightly. The percentage of the total exports declines from 73.5% in 2008 to 47.2% in 2011. The other four categories see a remarkable increase in these four years. Base metal and products increase from US $582.6 million in 2008 to US $2.66 billion in 2011, 4.6 times of the previous figure. In the category of textiles and textile materials, cotton is the main export product. In 2011, the export volume reaches to $3.20 billion, accounted for 91.6% of this category. In the category of base metal and products, the main export product is copper and copper articles. Organic chemicals are the major exports in the category of chemicals and related products. US $991.0 million organic chemicals are exported to China in the year of 2011, making up 71.3% of the whole category. Therefore, minerals, cotton and copper are three major India's exports to China, mostly raw materials. Primary products and animal products seem to take a too small proportion, which could be increased in the future. In consideration of the high price of primary products and livestock in China, the potential market impresses Indian traders a lot.

Table 5: Top five categories export to China (Thousands of dollars)

Category	2008	2009	2010	2011	2011-12	2012-13	2013-14
Minerals	14910180	8355462	12515168	11026158	1173190	326080	1022880
Textiles and textile materials	1214525	772826	2354443	3491502	90430	87890	115430
Base metal and products	582598	1243722	1381646	2664175	17390	14060	15320
Chemicals and related products	1183384	921521	1084555	1389994	1130940	1184550	1150930
Jewelry, precious metals and products; imitation jewelry; coin	417449	485362	83945	1195718	118200	87690	125520

Source: China Commerce Yearbook, Beijing, 2009-2012& Ministry of Commerce, Government of India

Note: Data from 2011-12 is taken from Government of India and commodities are mentioned as per HS code which is as follows- Minerals (HS code 27), Textiles (HS code 53, 57, 58, 59 and 63), Base Metal (HS code 81, 82 and 83), Chemicals (HS code 28, 29 and 38) and Jewelry (HS code 71).

2.2 Imports from China:

Table 6: Top five categories imported from China (Thousands of dollars)

Category	2008	2009	2010	2011	2011-12	2012-13	2013-14
Electrical, mechanical audio-visual equipment, parts and accessories	15342698	16343239	19436461	23090235	14183070	13984340	14228730
Chemicals and related products	5214880	4459685	7406649	9817512	5709570	6165100	6720320
Base metal and products	3657397	2374960	4355217	5334134	512450	583830	591610
Textiles and textile materials	2089483	2069305	3033452	3584929	759660	757740	812570
Plastic, rubber and related articles	868008	714972	1229553	1525577	1057690	1133910	1320570

Source: China Commerce Yearbook, Beijing, 2009-2012& Ministry of Commerce, Government of India

Note: Data from 2011-12 is taken from Government of India and commodities are mentioned as per HS code which is as follows- Electrical (HS code 85), Chemicals (HS code 28, 29 and 38), Base Metals (HS code 81, 82 and 83), Textiles (HS code 53, 57, 58, 59 and 63) and Plastic (HS code 39).

As is shown in table 6, five main categories that India imports from China from 2008 to 2011 are electrical, mechanical, audio-visual equipment, parts and accessories; chemicals and related products; base metal and products; textiles and textile materials; plastic, rubber and related articles. These five categories accounted for 85.8% of India's imports from China in the year 2011.

Electrical and mechanical are the most important import products, which accounted to nearly 40% of the total imports in 2011. What's more important to mention here, they have kept growing by an annualized 14.6% in the past 4 years. Organic chemicals and fertilizer are the major imports in the category of chemicals and related products. Unlike the exports to China in this category, steel and steel products are the main imports from China to India in base metal and products category. Besides, silk and industrial textile products take the biggest proportion in the textiles and textile materials imports.

As a result, the main imports from China are electrical and mechanical, besides, industrial products such as organic chemicals, fertilizer and industrial textile products take a big proportion. Apparently, China demonstrates the advantages of industrial manufacturing effectively in the bilateral trade as comparison to India. This has been due to the fact that China has come up as global manufacturing hub.

2.3 Trade Deficit on the Rise:

This is the major area of concern for India as India has been experiencing continuous trade deficit (**Table 7**). India's trade deficit increased from US $ 1.08 billion in 2001-02 to US $ 40.77 in 2012-13, despite 10.27 per cent contraction in total trade. The major items who have contributed in a huge negative trade balance with China are electrical machinery and equipment, nuclear reactors, mechanical machinery and appliances, project goods. In particular power and telecommunication equipment have registered a huge increase.

Table 7: Trends in Trade Deficit of India with China 2009-10 to 2013-14

Year	Trade Balance in US $ Billion
2009-10	-109.62
2010-11	-118.63
2011-12	-183.35
2012-13	-190.34
2013-14	-135.79

Source: Ministry of Commerce, Government of India.

Keeping in mind the huge trade deficit from India's point of view, Chinese Government is soon starting imports of oil meal and buys more pharmaceuticals, marine goods and buffalo meat which is a healthy trend. Both the Governments have signed three memorandums of understanding (MoUs) to create and facilitate exports of items identified as priority by India. This step will go a long way in decreasing trade deficit. Since China has agreed to create and facilitate import of items of primary interest to India, it is believed that India is more serious in respect of bringing down major constraints so that India's exports could rise at higher rate. Indian Government has stepped up pressure on the Chinese Government to take some credible steps in this direction. China is the biggest market for Indian pharmaceuticals. Export of rapeseed oil to China, which was stopped in the year 2011-12 due to chemicals found in the packaging may also resume. Added to these, also India sees a lot of opportunities for buffalo meat exports to China, which had banned Indian bovine meat due to concerns about foot and mouth disease. Indian Government had been claiming that management of the disease in the country is scientific and as per internationally accepted standards.

After a continuous persuasion by Indian Government, a MoU has now been signed between Chinese General Administration of Quality Supervision and Inspection and quarantine and agricultural and Processed Food Products Export Development Authority (APEDA), which will pave the way for exports to China. According to estimate made out by APEDA, India's exports of bovine meat to China could touch a figure of US $ 1 billion in coming two years. The sharp decline in fishery exports from India to China due to imposition of new testing requirements is also likely to get reversed. The Marine Products Export Development Authority (MPEDA) and its Chinese counterpart have signed another MoU on cooperation for import and export trade of fishery goods. This could lead to China accepting quality certificates given by MPEDA that would lower compliance costs and boost exports.

In order to enhance bilateral trade between the two nations, both the Governments have taken a decision to set up three Working Groups under Joint Economic Group. The three groups are Services Trade Promotion Working Group, Economic and Trade Planning Cooperation Group and Trade Statistical Analysis Group. These three Groups would create and facilitate the environment to achieve the fixed target of US $ 100 billion bilateral trade between the two nations. For top-tier Indian IT firms, revenue from China accounts for nearly 2 per cent of the total revenue. In 2012-13, Infosys registered revenues of US $ 104.37 million from its China operations. In 2012, the Tata Group's sales in China were amounted to US $ 9.2 billion and it purchased goods from China valued at US $ 900 million.

3. Major Issues to be Sorted Out:

In order to keep continued momentum in Indo-Chinese trade, both the countries have to come forward to solve the long pending issues. Otherwise all the efforts may go in vain.

As the bilateral trade relations between India and China are not swing fully in terms of its potential and opportunities, it is the need of the day to resolve the following issues:

Indian Government has expressed concerns over quality of drugs imported from China. In the export markets, this often becomes an issue for Indian drug makers. Indian firms like AurobindoPharma, Ranbaxy, Sun Pharma, Lupin and others have trimmed their bulk drugs business. In 2011, Aurobindo announced it would sell off its loss making Chinese API unit to China National Pharmaceutical Group Cooperation. To reduce Chinese dependence, Cipla is expanding its API manufacturing capacities.

Indian importers complain that the products they get from China are mostly of sub-standard quality and as result, many have started switching over to other countries to source raw material. Indian Government has put quality restrictions on mobile phones, dairy goods and toys, and believes that the Chinese Government is blocking the entry of fruits and vegetables on grounds which are not necessarily based on economic consideration. Quality has always been an issue with the Chinese. There is no accountability and it's difficult for us to get compensation once the materials are imported.

A recent study by industry body Confederation of Indian Industry (CII) underlined that India is stuck as an import heavy partner in a fast growing trade relationship. The Federation of Indian Micro and Small and Medium Enterprises (FISME), an association representing India's small firms, opines that language remains a very important and strategic barrier. The Federation is planning to establish an office in China to help its members firms on issues of quality and prices of goods. There are few more issues which naturally need to be ironed out for bilateral trade to boom. As China has turned out to be one of India's major trading partners, the mentioned issues are to be looked into and protect the SME segment, especially at a time when money has become dearer.

In November 2013, India and China, which are the engines of global growth decided to set up a joint Working Group to address all their trade related issues to strengthen economic relations which is the need of the hour. The joint Group will give its recommendations and assessments soon. Both the countries have also agreed upon to work on a Five-Year Plan-Economic- Cooperation. The two nations have further agreed to create a "Strategic Economic Dialogue Mechanism to consider macro-economic policy coordination, and also to suggest possible responses by the two countries. This issue must be taken more seriously. Casual approach should be avoided at all costs.

Chinese Government has offered increased access to Indian goods on it soil and expressed the desire to initiate and explore the possibility of signing the Free Trade Agreement (FTA) with India which could prove a mile stone and more beneficial for both the countries. Chinese Government is also willing to provide facilitation to India's goods to get access in Chinese markets. Both Governments are confident about the ability and capacity to mitigate the existing trade imbalances. Added to this, China is also willing to start negotiation on China-India regional trading arrangement. The willingness of Chinese Government should be respected.

Joint feasibility research of China-India Regional Trade Agreement (RTA) has been started since 2005. In fact, Sino-indo FTA was firstly put forward by the prime minister of India, Vajpayee. Both governments supported on the research at that time. The first work group meeting on joint feasibility study on China-India RTA was held in 2006 and the whole joint study was completed successfully one year after that. Although the two sides tried several times for further progress, officially start of regional trade negotiations remains distant. For now, when to start the FTA negotiation is still under consideration. Final course of action must be taken to make it reality.

Despite of the great enthusiasm of Chinese government and the enormous business opportunities for both countries in the future, Indian government hesitated about go further. Firstly, the industrial structure of the two sides is similar to some extent. In the view of Indian government, the two countries have more competition than cooperation in labor-intensive industry. FTA negotiation confronts the boycott of local business associations. They are afraid that the influx of Chinese goods may destroy the local industry. Secondly, the two sides still need to strengthen their political trust. Due to the border dispute of the two countries, the two sides may view the other as competitor rather than cooperator. Trust on each other is the basic key of Indo-Chinese trade relations and every effort must be taken by both countries Government.

Regional Comprehensive Economic Partnership (RCEP) is a Free Trade Agreement (FTA) scheme of the 10 ASEAN Member States and its FTA Partners (Australia, China, India, Japan, Korea and New Zealand) to be concluded. It was firstly put forward by the 10 ASEAN Member States and aims to make member states open their market. In the long run, it is committed to achieve regional economic integration in Asia-pacific region. As bilateral trade negotiation seems difficult to make progress in a short time, both governments hope to look for a compromise through a much bigger FTA platform to deal with the growing bilateral trade. According to the conception of RCEP, the 16 members will reach a periodical agreement regardless of the outcome of negotiations. There is reason to believe that RCEP negotiation will do well to China-India trade to a certain extent. BCIM economic corridor aims to strength the four members' (Bangladesh, China, India and Myanmar)) economic contact and promote sub-regional trade development. Although it may not propose a widely free trade platform, trade between Yunnan province of China and northeast of India will have real benefits from that. The RCEP should be made out more effective and purposeful and this depends only on the will of both the countries in general and other members in particular. Both India and China may contribute significantly as both the nations are among the top emerging markets for the global world.

India needs to imbibe the economies of scale from China while China may learn how to increase domestic consumption beyond big cities from India. There are a number of sectors, including manufacturing, services, and infrastructure, for mutual cooperation and areas of learning for the two engines of growth of the globe, although the balance is titled heavily in favor of China in terms of scale. India should read and study out the Chinese model and then should also learn lessons on robust planning from China, while the neighbor has appreciated its growth policy of domestic demand.

4. Suggestions:

In order to keep required momentum in regard to expansion of Indo-Chinese trade in coming times as well as to attain the target of US $ 100 billion by the end of 2015; the following suggestions have to be implemented by both Governments.

Enhance mutual political trust:

Mutual political trust is the foundation of the positive growth and development of bilateral trade. China and India don't have a direct access by train so far. Highway traffic is not smooth enough for cross-border trade. Both of these are due to political problems rather than economic problems. Despite of the divergence between the two countries, both governments should create mutual trust environment with great efforts to boost trade confidence and promote trade development.

Establish trade consultant mechanism:

Excessive trade protectionism never does well to the development of an economy. Nowadays, both the two countries have launched several anti-dumping investigations. It is necessary to establish trade consultant mechanism to solve these problems by negotiations. While poor quality issue exists in trade products from both countries, an institutionalized negotiation is able to help them improve quality and enhance market competitiveness. Besides, establishing trade consultant mechanism it is good for both sides to know each other and avoid further trade friction.

Promote the development of complementary trade:

Apparently, complementary trade brings more benefits than harm to the economy. Both governments should make effort to promote the development of bilateral complementary trade. Chinese government needs to simplify the administrative approval process and unify quarantine standards of primary products. In this way, primary products and essential raw materials can be imported more easily to benefit the customers in local market. Indian government should reduce unnecessary trade barriers to introduce more Chinese industrial products to lower domestic price. Only in this way, can customers from both economies benefit more from bilateral trade.

Promote regional economic cooperation:

In consideration of the stalling of bilateral FTA, it is more pragmatic to promote regional economic cooperation, such as BCIM economic corridor. Both governments should make good use of the multi-communication platform for trade to reach some periodical agreement. It is much easier to operate and brings effective help to the governments to deal with the increasing trade issues. What's more is, it will increase consensus and lay a solid foundation to possible further FTA negotiations.

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5. Conclusion:

India and China trade has been one way. Hence, India has been experiencing huge trade deficit and has also been a matter of great concern. Both the countries should think over it so that trade relations between two Asian economic giants could become stable and long last. Both the countries have to take concrete steps in giving expansion, diversification and facilitation of trade. The steps should not remain a myth but they should be transformed into reality. Keeping in mind the existing potential and opportunities of expansion and diversification of trade among India and China, the above mentioned suggestions may go a long way. What is immediate required on the part of the both countries Government to keep their heads down and make the myth a reality. This could only be possible when the given suggestions are to be implemented in totality.

The economic interest should be above political interest and the economic decisions should be made on the merit of it and not based on politics as there is correct saying that " economics is economics and politics is politics".❑

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