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## **CHINA'S TRADE RELATIONS WITH INDIA AND PAKISTAN SINCE 1991:**

### **A COMPARATIVE STUDY**

#### *Abstract*

China's exports and imports once its reforms started, increased most of the time, but improved its position in the current century especially after its WTO accession. Since 1991 its exports progressed well and strengthened its position with world share in world exports. It further improved its position and emerged as the largest exporter of the world by surpassing USA and Germany in 2010 and has maintained its position till today. China's trade has now become a major component of its economy. It has been playing effective role in economic development. China's exports, imports, rate of growth, trade value and balance of trade varied almost every year showing most pronounced upsurge in the first decade of this millennium. During the Asian financial crisis, China's exports rose marginally in 1998, but its imports fell down in the same year. China's total exports declined more than its imports. Its trade surplus was also less from the previous year but trade balance was positive in World recession.

China exports to India expanded 416 fold in 2015 since 1991, which is the highest increase in the world. But India's share in China's export remained nominal. China's world imports moved forward in same pace as exports, about 26 fold. Imports into China from India enlarged about 112 fold. The trade balance of China with India tilts in favour of China. It is increasing annually, which is concern in India. Some suggestions for tackling imbalance have been suggested.

China's main exports to India are electrical machinery and equipments, nuclear reactors, boilers, machinery etc., organic chemicals and fertilizers and iron/steel. These main commodities shared more than 60 percent of the total export value between two countries. The principal commodities of imports into China from India basically are raw goods or raw material. These commodities are ores, slag and ash, cotton, copper and articles thereof, pearls, metals, precious stone etc. and organic chemical. These commodities contributed more than 70 percent in import value of China and India mostly.

China and Pakistan trade relations exist since early 1950s, but its strategic relations improved decade by decade. Both countries consider each other "All weather friends". Economic ties especially trade between the two countries could not get the momentum. China and Pakistan trade value has grown and reached to \$5 billion in 2006. In the same year Free Trade Agreement was signed by both countries. The trade value grew more than \$10 billion in 2011. Within three years trade value crossed \$15 billion in 2014 and \$18 billion in 2015. The second phase of FTA signed by both countries in November 2016. The contribution of Pakistan in China's world exports and imports was nominal. Pakistan's share remained on the margin in China's exports and imports. China and Pakistan are strategic friends, but it seems their trade relations are not on a firm footing. The trade balance is in favour of China

throughout the period under study. Some suggestions to tackle imbalance between China and Pakistan have been proposed. By adopting these measures trade imbalance between two countries may be reduced.

China has become the largest trading partner of India and Pakistan. The difference of China's exports between India and Pakistan was found negative from 1991 to 1995, while in remaining years it increased frequently. India's ranks in China's exports were higher than Pakistan up to 1995 while from 1996 to 2015. India raised its ranks more than Pakistan and Pakistan could not maintain China's exports to India and its ranks. The pattern is found that India and Pakistan's imports into China is rising and fluctuating for most of the years, but trend of India's ranks in China's imports was found lower to high while Pakistan was vice versa higher to lower.

The hypotheses set for this study have been testified through statistical tools such as Semi Log Regression Analysis. In this case, China's Exports, Imports & Trade Surplus have been tested as Dependent Variables and their Log is regressed on time variable. For these hypotheses Regression Analysis has been used. This regresses India and Pakistan's total trade on their bilateral trade with China and the t- test has been used to examine the equality of means of China's Trade with India and Pakistan. The result shows that China's exports, imports, trade surplus and total trade value are significantly growing. Based on the highly significant F-Statistic, China's trade with India and Pakistan has a significant impact on India and Pakistan's total trade. There is a significant difference between China's Exports to India and Pakistan, There is a significant difference between China's Imports from India and Pakistan, There is no significant difference between China's Trade surplus with India and Pakistan, and there is a significant difference between China's Total Trade with India and Pakistan.

The trade relations by estimating trade reciprocity indices, (export and import) intensity indices of China's with India and Pakistan have examined. The results show that China's trading relations with India has strengthened and improved over time. The trade reciprocity indices have slightly unbalanced bilateral trade between China and India. This imbalance is in favour of China, which has a surplus in its balance of trade with India. The Trade Reciprocity Indices between China and Pakistan is very much less than one, in fact less than even 0.50 (0.46). It indicates heavily unbalanced bilateral trade between China and Pakistan. This imbalance is in favour of China, which has a surplus in its balance of trade with Pakistan.