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   INTRODUCTION

   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

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BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

AN ANALYSIS ON INDO-CHINA TRADE AND ECONOMIC RELATIONS IN THE POST-LIBERALISATION ERA

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ABSTRACT

India and China are the two largest countries in the world in terms of population; they are also the fastest growing economies in the world. India and China jointly are home to the world's largest pools of skilful human resources, and there is a general accord that these two countries will continue to be the devices of global economic growth in the 21st century. Increasing bilateral trade has come to be the strongest pillar of China-India rapprochement. In the past 61 years since the establishment of diplomatic relations, China-India relations have summoned all challenges and made impressive growth. Although there were some border and some other economic issues between India and China in 1960s but both the Countries reignite its bilateral and economic ties during 1980s till date. Booming trade relations between India and China are of more recent origin, more or less coinciding with the onset of contented levels of economic development in both the countries. The trade relations between India and China are analysed by some of the economic indicators i.e. (GDP, Imports and Exports). The GDP of India and China is analysed from 1991 to 2013. The data clearly signifies that the growth of GDP of China is much higher than that of India. The second economic indicator i.e imports and exports is also analysed in this paper. Different statistical tools like Mean, coefficient of variation and kearl pearson's coefficient of correlation have been used for analysing the growth and consistency of imports and exports.

JEL CODE
O57, N70, N10.

KEYWORDS
China, Growth, India, Relations, Trade.

INTRODUCTION

India and China are the two largest countries in the world in terms of population; they are also the fastest growing economies in the world. India and China jointly are home to the world's largest pools of skilful manpower, and there is a general consent that these two countries will remain to be the engines of global economic growth in the 21st century. China and India, coined the Asian 'Evolving Giants,' are 'drivers' to increase the global economy as Globalisation is a historic process. It envisages a vision of a world without borders. Rooted in the precolonial and the colonial era, marked by enmities between national powers, the contemporary phase of globalisation is driven by Information and Communication Technology, and compact transportation costs. It has extended and reshaped flows (trade and finance), collective safety, and labour movements (albeit somewhat restricted). This is underscored by (a) compression of the world economy, blurring of national boundaries, and creation of a new space which coexists with the nation state and (b) a shift from state to non-state forces (international, regional, non-governmental, and multinational) to shape conflict reduction and development (growth and poverty reduction). Invariably, the capacity of developing nations to cope with globalisation may reveal acute differences. This has consequences for equitably distributing in its professed gains. In this respect, there is increasing reliance on China and India, due to their economic performance, of accelerating globalisation and benefiting developing countries.

Growing bilateral trade has come to be the strongest pillar of China-India rapprochement. This has not only since overtaken the speed of political confidence-building but also has an important impact on their mutual perceptions. Their border trade has specially brought about a noticeable transformation in their remote and problematic boundary regions. This has contributed to overall tranquillity and peace in the area and has as well facilitated progress in their border negotiations.

This boom in trade has also announced new trends. The two states are no longer only recipients on foreign direct investment but have entered into a new phase of being inflections, both mutually as in other regions. In this recent context, the growth of deficit in the energy sector and the competition to crack new markets present major challenges to sustaining this boom in their bilateral trade.

LITERATURE REVIEW

China has emerged as India's largest trading partner as it replaced the US in March 2008 (GoI, 2008).

Their integration in the global economy means that they are certainly affected by world economic developments, such as the last economic crisis.

On the other hand, the growth of China and India has a great influence on the world economy, not only in good times (as is well documented, for instance, by Srinivasan 2006) but also in bad times. In fact, the two Asian countries are helping to pull the world out of recession through their imports, despite persisting imbalances in specific trade relations (e.g. between China and the US). During the past two to three decades, China and India have attained extraordinary levels of economic progress by any standard. During 1980-90, China's and India's GDP grew at an average rate of 10.3 per cent and 5.7 per cent per year, respectively (Srinivasan, 2006, p.3716)

Australian Chamber of Commerce and Industry (2007) laid emphases on the integration of Indian and Chinese economies in Chindia and analyse that a Chindia economy, if realized, can become the second largest economy in the world behind United States..

Arvind Kumar (2010) analyses the broad contours of India –China relations and explore the areas on which both the countries can work together on mutual interest.

NEED AND IMPORTANCE OF THE STUDY

Since trade trends have already been studied in the past researches but they are confined to certain products or industry. This research paper analyses and interprets the overall trade trend with the help of economic indicators (GDP, IMPORTS AND EXPORTS) specifically in the post liberalisation era i.e from 1990-91 to 2013-14.

STATEMENT OF THE PROBLEM

"An analysis on Indo-China trade and economic relations"

OBJECTIVES OF THE STUDY

The present study is an in-depth enquiry into the trade and economic affairs between India and China. The primary objective of undertaking such a study is to examine trade and economic relationship with the help of economic indicators (GDP, IMPORTS & EXPORTS) in the post liberalisation era. The principal objectives are:-

1. The magnitude of trade between India and China.
2. To determine the GDP % of both the Countries from 1990-91 to 2013-14 in a tabular and graphical form.
3. To analyse and interpret the GDP % of both the Countries.
4. To represent trade relations between India and China in terms of value and % share of both imports and exports.
5. To represent growth and consistency analysis of exports and imports between India-China from 1990-91 to 2013-14 with the help of statistical tools like Mean, Coefficient of Variation and kearl pearson's coefficient of correlation.
6. To interpret the data of imports and exports of both the Countries from 1990-91 to 2013-14.

RESEARCH METHODOLOGY

The study is based on the data on exports, imports and GDP compiled from the secondary sources i.e Ministry of Commerce & Directorate General of Commercial Intelligence and Statistics.

RESULTS & DISCUSSION

HISTORICAL BACKGROUND OF INDIA AND CHINA RELATIONSHIP

India and China are two great Countries with earliest civilizations linked by mountains and rivers. Our friendly exchanges can be traced back more than 2000 years ago. Two countries are mutually influenced and mutually enthused, which greatly enriched our particular civilization.

However, the initial focus of the leaders of both the Countries was not the foreign policy, but the internal development of their particular states. When they did concentrate on the foreign rules, their concern wasn't one another, but rather the United States of America and the Union of Soviet Socialist Republics and the alliance systems which were dominated by the two superpowers.

SINCE 1950S TO 2013

The famous Panchsheel, the Five principles of Peaceful Co-existence, co-inititated by China and India in 1950s, persists to be the guiding principles in international relations. Although there were ups and downs in our relationship, mutual valuable cooperation between China and India has been the main feature of our bilateral interaction in the past few decades.

Meanwhile, India was the 16th state to mature diplomatic relations with the People's Republic of China, and did so on April 1, 1950.

Relations among contemporary China and India have been characterised by border disputes, resulting in three major military disputes — the Sino-Indian War of 1962, the Chola incident in 1967, and the 1987 Sino-Indian skirmish.[1] However, since the late 1980s, both countries have successfully cracked to reignite diplomatic and economic ties. In 2008, China became as India's largest trading partner and the two countries have also cracked to extend their strategic and military relations.[4][5][6]

Despite growing economic and strategic ties, there are few hurdles for India and the PRC to overcome in order to establish favourable dealings. Though bilateral trade has continuously grown, India faces immense trade imbalance heavily in favour of China[*dubious – discuss*].[6] The two countries have failed to resolve their long-standing boundary dispute and Indian media outlets have repeatedly reported Chinese military incursions into Indian area.[7] Both nations have steadily established heavy military infrastructure along border areas.[7][8] Additionally, India remains cautious about China's strong strategic dealings with Pakistan[9] while China has expressed concerns about Indian military and economic activities in the disputed South China Sea.[10]

In June 2012, China stated its position that "Sino-Indian ties" could be the most "vital bilateral partnership of the century".[11] That month Wen Jiabao, the Premier of China and Manmohan Singh, the Prime Minister of India set a goal to increase bilateral trade between the two countries to US$100 billion by 2015.[12] In November 2012, the bilateral trade was estimated to be $73.9 billion.

It was reported in February 2012 that India will achieve US$100 billion dollar trade with China by 2015.

On March 27, 2013, Chinese President Xi Jinping met with Indian Prime Minister Manmohan Singh said India and China, both ancient civilizations have a bright future.

Growing trade relations between India and China are of more fresh origin, more or less coinciding with the onset of comfortable levels of economic development in both the countries. India-China trade and economic support is marked by strong political commitment of the management of both countries in this regard. China has already been the top trading partner of India in the recent time. The process of globalization has established China and India as the new trade powers in the world scene. Their incredible pace of growth in the last decades has finally changed the relations and equilibrium among the economies taking part to the worldwide integration process.

TRADE/ECONOMIC RELATIONS BETWEEN INDIA AND CHINA

India and China account for 40 percent of the World's population, 9 percent of the World's Gross Domestic Product (GDP) at market exchange rates and 16 percent of the world's GDP in Purchasing Power Parity (PPP) terms. India and China are the countries which have emerged most strong through financial crises. But still there are some pecuniary indicators (GDP, Exports and Imports) which can actually measure the growth of India and China.

Their year-on-year GDP expansion at 7.9 percent and 8.9 percent respectively, controls the third quarter world growth. At 35 percent and 42 percent of GDP, respectively, the levels of gross domestic fixed capital formation in India and China are the maximum in the world. The increasing rate of investment in India and China as compared to the decreasing rates in Japan and South Korea, have led to the former pushing back the latter as Asia's powerhouse .

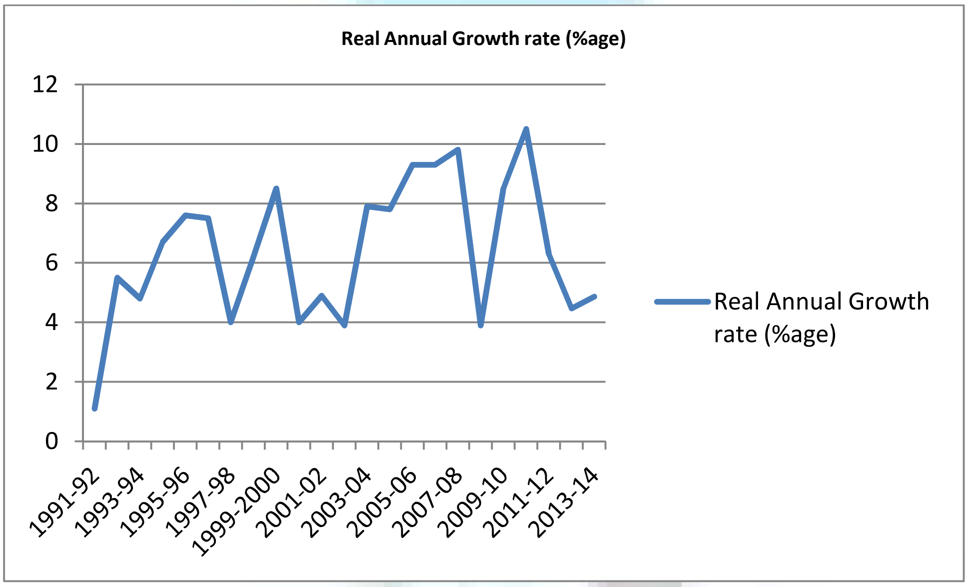
The following tables (table 1&2) shows per-year GDP of India and China

TABLE 1: GDP REAL GROWTH RATE IN INDIA

Year	Real Annual Growth rate (%age)
1991-92	1.1
1992-93	5.5
1993-94	4.8
1994-95	6.7
1995-96	7.6
1996-97	7.5
1997-98	4.0
1998-99	6.2
1999-2000	8.5
2000-01	4
2001-02	4.9
2002-03	3.9
2003-04	7.9
2004-05	7.8
2005-06	9.3
2006-07	9.3
2007-08	9.8
2008-09	3.9
2009-10	8.5
2010-11	10.5
2011-12	6.3
2012-13	4.47
2013-14	4.86

Source : World Bank

GDP GROWTH RATE IN INDIA



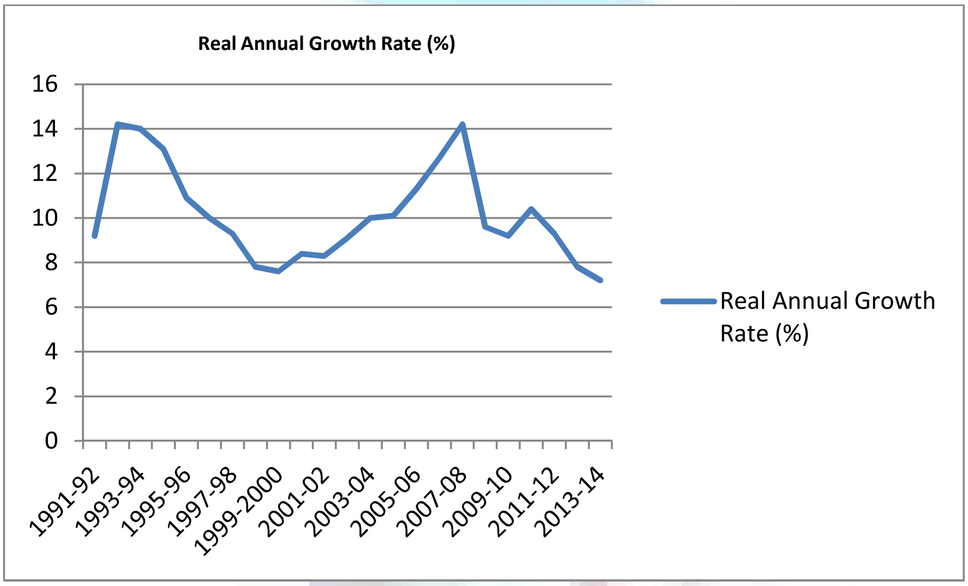
Source: Self developed on the basis of data given in table 1

TABLE 2: GDP GROWTH RATE IN CHINA

Year	Real Annual Growth Rate (%)
1991-92	9.2
1992-93	14.2
1993-94	14.0
1994-95	13.1
1995-96	10.9
1996-97	10.0
1997-98	9.3
1998-99	7.8
1999-2000	7.6
2000-01	8.4
2001-02	8.3
2002-03	9.1
2003-04	10.0
2004-05	10.1
2005-06	11.3
2006-07	12.7
2007-08	14.2
2008-09	9.6
2009-10	9.2
2010-11	10.4
2011-12	9.3
2012-13	7.8
2013-14	7.2

Source : World Bank

GDP GROWTH RATE IN CHINA



X axis = years, Y axis = %

Source: Self developed on the basis of data given in table 2

DATA ANALYSIS AND INTERPRETATION OF INDIA'S GDP

The data clearly signifies that the growth of GDP of China is much higher than that of India. Since 1991 reforms led to an accelerated progress of 7.5% GDP growth but this growth was not sustained due to, in handsight a mismanagement of monetary policy. Real long-term interest rates increased to double-digit levels in the mid-1990s and growth collapsed. This facts help explain two puzzles – non acceleration of growth in 1990s and the miracle "high" growth since 2003/04 or 2003. The revival in "high" growth 2003 was preceded by a drop in real interest rates of around 600 basis points (reversal of the mid-1990s increase) in a stuff of four years (1999 to 2002). However, many commentators, and analysts, trust that the recent high growth has been a consequence of overheating, and *not* because of a structural shift in the economy; the latter point is argued by Bhalla et. al. (2006). Some others believe that the recent acceleration was part of a worldwide phenomena of a "rising tide lifting all boats"; all emerging economies grew faster, and India was part of this upliftment.

The Indian economy[8] has been susceptive to the worldwide business cycle as shown in Table 1. During the periods 2001-2002 and 2008-09, India's growth performance was limping as compared to the years of buoyancy from in the global economy. Equivalently, after the worldwide financial crisis of 2008, all emerging economies will grow slower and revert back to the pre-2003 levels. When calculated in real terms, it is found that in India the percentage of GDP grew from 5.5% in 2000 to 9.2% in 2007, showing an improvement of 67.2% though it slipped down in 2008, bringing the real development in GDP to 54.5% comparison to that of the year 2000. In comparison China's GDP grew from 7% in 2000 to 10.7%in 2007, showing an development of just 52.8% and to 11.4% in 2008, i.e. an improvement of 62.8%. The pace of recovery in India was slow in comparison with China, though both countries revived from the global recession in 2010. With a rebounding of the economy, India could post a robust GDP growth of 10.1 per cent in 2010, agreeing per capita income to rise from $1077 in 2009 to $1371 in 2010. During the last decade, India increased its global share in World Gross Product from 3.7 per cent in 2000 to 5.5 per cent in 2010.

A stagnation-type environment is emerging in India. GDP growth has slowed sharply to 6.5% in the fiscal year ending March 2012, from 8.5% in the previous year. Inflationary pressures remain persistent despite the Reserve Bank of India (RBI) hiking the repo rate 13 times by a cumulative 375 basis points since March 2010. Although the latest figures show headline inflation to have eased to 6%-7% in July 2012 from the highs of 9%-10% over the last two years, the restraint was mainly on account of the cooling in food and fuel prices. Inflation is still significantly above the RBI's comfort zone of 5%-6% and underlying inflationary pressures remain strong – the RBI has recently warned that inflation perils remain high in the short term owing to suppressed administered fuel prices as well as infrastructural bottlenecks in coal, minerals and power (Reserve Bank of India 2012). Poor monsoon conditions are also likely to have an adversative impact on food prices and, as a consequence, wages.

China's GDP largely depends on International Trade and thus the performance of the economy directly relates to the global economy. Any fluctuation in world imports shows its effect on Chinese export import and globall economy. Whereas the growth in is India economy led by services rather than manufacturing.

DATA ANALYSIS AND INTERPRETATION OF CHINA'S GDP

Since 1990, the China's growth has been fluctuating from 6 to 14%. The sustainability of China's economic growth is a key element of the global outlook due to which China's GDP grew by 10% during 1990s and 2000s. During the time of global buoyancy which spanned the year 2003 to 2010, its GDP growth rate accelerated to more than 10 per cent per year, while its maximum growth rate in recent time was recorded in 2007[4] as shown in Table 2..The global economic slowdown which began in 2008, in fluenc ed the Chinese economy (especially the export sector). China's real GDP growth fell from 14.2% in 2007to 9.6% in 2008to 9.2% in 2009. Although China's economic development is having sustainability, there has been lack of rebalancing towards private consumption, whose relative contribution to GDP growth reached historical lows in 2010, although it recovered slightly in 2011. However, contrary to common insights, China's private consumption has been very dynamic over the same period, having growth at more than 8% per annum. In the 2009-11 period consumption contributed to China's GDP growth by 4.3 % points compared to 4.8% pre-crisis average. From 2008 to 2012, China's real GDP growth averaged 9.2%. However, the economy has shown sign of showing Real GDP slowed by 7.8% in 2012. The International Monetary fund (IMF) in July 2013 anticipated that China's real GDP would grow 7.8% in 2013 and 7.7% in 2014 but actually it came to 7.2%.

Among others, the demographic dividend persiss one of the most important factors, determining the growth prospects of China in the next two decades. Growth prospects are affected by the population structure because the dependency ratio, which is represented by relative size of the labour force to the total population, is the major yardstick of level of output. A rising share of workers in the population in China indicates that participation rate is properly accounted for in the production process. With declining fertility rate, there will be reduction in both population growth and dependency rate, leading to rise in the working age ratio. In case of India and China, increasing working age ratio would contribute to higher per capita income growth, or demographic dividend.

Here one can conclude that the rate of growth of GDP in real terms is maximum in India in comparison to that of China. Though China is having a sustainable growth without much fluctuations but India has faced a dip from 10.5 %in 2010-11 to 3.2 %in 2012-13.

TABLE 3: REPRESENTS TRADE RELATIONS BETWEEN INDIA AND CHINA IN TERMS OF VALUE AND % SHARE (US $ million)

Year	India imports from China	India total imports	% share of total indian imports	India exports to China	India total exports	% share of total indian exports
1990-91	196.6	24072.5	0.82	614.7	18145.2	3.39
1991-92	127.1	19410.5	0.65	662.5	17865.4	3.71
1992-93	296.4	21881.6	1.35	906.3	18537.2	4.89
1993-94	490.7	23306.2	2.11	1528.7	22238.3	6.87
1994-95	1047.8	28654.4	3.66	1771.6	26330.5	6.73
1995-96	1200.0	36675.3	3.27	2154.1	31794.9	6.77
1996-97	756.91	39132.4	1.93	614.8	33469.7	1.84
1997-98	1112.05	41484.5	2.68	717.95	35006.4	2.05
1998-99	1096.71	42388.7	2.59	427.16	33218.7	1.29
1999-00	1282.89	49670.7	2.58	539.04	36822.4	1.46
2000-01	1502.2	50536.5	2.97	831.30	44560.3	1.87
2001-02	2036.39	51413.3	3.66	951.95	43826.7	2.17
2002-03	2792.04	61412.1	4.45	1975.48	52719.4	3.75
2003-04	5545.9	78149.1	7.10	2955.08	63842.6	4.63
2004-05	7097.98	111517.4	6.36	5615.88	83535.9	6.72
2005-06	10868.05	149165.7	7.29	6759.10	103090.5	6.56
2006-07	17475.03	185735.2	9.41	8321.86	126414.1	6.58
2007-08	27146.14	251439.2	10.80	10871.34	162904.2	6.67
2008-09	32497.02	303696.3	10.70	9,353.50	185,295.36	5.05
2009-10	30824.02	288372.9	10.69	11,617.88	178751.4	6.50
2010-11	43479.6	369769.1	11.76	15482.70	251136.2	6.17
2011-12	55313.58	489319.4	11.30	18076.55	305963.2	5.91
2012-13	52248.33	490736.65	10.65	13534.88	300400.68	4.51

Source : Ministry of Commerce & Directorate General of Commercial Intelligence and Statistics

TABLE-4: REPRESENTS GROWTH AND CONSISTENCY ANALYSIS OF EXPORTS AND IMPORTS BETWEEN INDIA-CHINA

Exports Growth			
	Mean	CV	Karl Pearson's coefficient of correlation (r)
1990-91 to 1999-00	993.69	53.20	0.22
2000-01 to 2012-13	8180.57	192.29	0.96
1990-91 to 2012-13	5055.84	272.01	0.97
Imports Growth			
	Mean	CV	Karl Pearson's coefficient of correlation (r)
1990-91 to 1999-00	760.72	69.49	0.22
2000-01 to 2012-13	22217.40	70.81	0.96
1990-91 to 2012-13	12888.41	106.70	0.97
Source : Author Calculation, CV – Coefficient of Variation			

INTERPRETATION

The analysis of the data shows the use of three statistical tools like Mean, Coefficient of variation and karl Pearson's coefficient of correlation. The Mean shows that the imports and exports have been increasing since 1990 to 2013 but they are increasing more from 2000 to 2013. The coefficient of variation also shows that there is direct relation between imports and exports as both the variables are on the increasing trend. The karl Pearson's coefficient of correlation also shows that there is less positive relation between India and China in terms of exports and imports from 1990-91 to1999-00 but the relationship is perfectly positive from 2000 to 2012-13 and from 1990-91 to 2012-13.

RECOMMENDATIONS/SUGGESTIONS

In order to improve Indo-China trade and economic relationship, the following steps need to be improved :

1. An increasing market access for the bilateral trade between the two nations and countrywide level treatment for investment by each of the Countries can be treated as the initiation of economic coordination amongst the two countries.
2. So far it may be perceived the areas of trade as well investment are just a selected few. In order to guarantee sustainable long term relations trade and investment with a wider base is received and thereof diversification of trade basket is a pre-requisite.
3. India has strength in the service sector specially banking and passenger and cargo carriage. Thus this is another area where we can try to support our position.
4. India and China can join hands in the area of software and hardware. India can gain the advantages offered by China in the area of hardware; similarly China can get software advantage from India. It is important that the two nations should expose their requirements so that it may be admired by the counterpart.
5. An increasing market access for the mutual trade between the two nations and national level treatment for investment by each of the nations can be treated as the beginning of economic co-operation amongst the two countries.
6. So far it may be observed the areas of trade as well investment are just a selected few. In order to ensure sustainable long term relations trade and investment with a broader base is welcomed and thereof modification of trade basket is a pre-requisite.
7. India has strength in the service sector specially banking and passenger and cargo transportation. Thus this is another extent where we can try to strengthen our position.
8. India and China can join hands in the area of software and hardware. India can avail the advantages offered by China in the area of hardware; equally China can get software advantage from India. It is important that the two nations should expose their necessities so that it may be complimented by the counterpart.

CONCLUSIONS

India and China are the largest countries in the world in terms of population; They are coined the Asian 'Emerging Giants,' are 'drivers' to boost the global economy as Globalisation. Growing bilateral trade has come to be the robust pillar of China-India rapprochement. India and China have very strong historical background in terms of relationship.The founding of new China in 1949 and the independence of India in 1947 opened new era of our association. In the past 61 years since the establishment of diplot matic relations, China-India relations have summoned all challenges and made impressive development. The era of "Hindi-Chini Bhai Bhai" has deeply rooted in the hearts and minds of the two peoples. The economic indicators like GDP, exports and imports are actually evaluated to find the economic growth. In terms of GDP growth, both the Countries have a fluctuating trend since 1990s but in 2003 India revived to high growth due to dropping in real interest rates of around 600 basis points (reversal of the mid-1990s increase) in a matter of four years (1999 to 2002). The worldwide economic slowdown which began in 2008, impacted both the Chinese and Indian economy. Both the economies revived but faced a dip after 2011. The other economic indicator i.e. Exports and Imports also showed the fluctuating growth trend and also tested with Statistical tools like Mean, Coefficient of Variation and kearl 2 coefficient of correlation which showed the positive relationship between imports and exports since 1990-91 to 2012-13.

LIMITATIONS OF THE STUDY

- **EFFECT OF DISTRUST ON THE COMMERCIAL GROWTH BETWEEN THE COUNTRIES**

Further adding to the preexisting distrust between the two countries is India's economic growth, specifically as China's GDP growth rate is likely to decline in the recent future though India's is supposed to steadily increase.

- **POLITICAL FIRMNESS OF OTHER KEY REGIONAL NATIONS**

The political stability of other key regional countries – such as Afghanistan, Pakistan and Myanmar – all have the potential to impact India-China relations as well.

- **CHINA AS A RISK TO INDIA**

As China gains an increasing range of influence in the world ground, many Indians, including high-ranking officials, see China as a potential rival or even a threat to India. This may partly enlighten why India has yet to recognize China's market economy status, while over 60 countries have decided such status to China. Such anti-China feelings will not help cultivate a friendly atmosphere for bilateral ties to increase, but rather sow the seeds of distrust between the two countries.

- **SUSTAINABILITY OF GROWTH**

Maddison's (2002) estimates of China's and India's per capita real incomes show that, starting from roughly identical levels in 1870, India forged ahead of China Until the outbreak of the First World War. Though both experienced drops in their per capita incomes thereafter (China more so than India) by 1950, India's per capita income was near 40% higher than China's, and it took roughly the next three decades for China to catch up. In India, the usual yearly rate of growth of GDP was close to 6% during 1980-2001. It got a peak of 7.8% in 1996-97 from the low of 1.3% in the crisis year of 1991-92. Since then, it has varied between a low of 4.0% in 2002-03, a year in which the economy was affected by a dangerous drought to a high of 6.5% in 1998- 99. In both countries, the issue of sustainability into the forthcoming (of say, the next two decades or so) of current growth rates is important. Clearly, if the high rates of savings and investment are not sustainable, and the efficiency of investment is doubtful, then Chinese growth rates will drop. Indeed, with greater quality and a larger number of various consumer goods (including durables, such as passenger cars) becoming increasingly offered in the market, Chinese households may consume more and keep less out of their rising incomes than they are doing now.

- **COMMERCE IN GOODS AND SERVICES**

China continues to outpace India in global integration. In 2002, it was the World's Fifth largest exporter of products, with a portion of 5% of world exports. China is tenth in commercial service exports, with a share of 2.5%. Its growth in the share of merchandise exports is extraordinary, more than quadrupling during 1983-2002. India is a distant 30th in world merchandise trade, with a share of 0.8% in 2002, which represents a growth of only 60% during 1983-2002. Bottelier (2003) points out that in exports of commercial services, India lags less behind China, being the 19th largest exporter, with a share of 1.5%. Although growth of China's service and merchandise exports far outpace average development of world exports, its merchandise exports raised much faster than service exports, so that the share of service exports in total exports has fallen to one of the lowest such ratios for any chief Country. He notes that, in contrast, India's service exports are growing at near double the rate of its products exports, and if current trends continue, the share of service exports in total exports will exceed 50% in a decade. Clearly, if the high rates of savings and investment are not maintainable, and the efficiency of investment is unsure.

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