

Chapter 16

Time Series Data

Investigation for


Assessing the Impact

of Chinese Exports and

Imports on India–Japan

Bilateral Trade Relations

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ABSTRACT

This chapter perceives the Chinese effect on India-Japan bilateral trade relations. Thereupon, it adopted a log-linear regression model to detect the Chinese effect on India-Japan bilateral trade relations. Export and import of India with China have a positive impact on export of India with Japan. GDP of China and Japan, total population of Japan and official exchange rate of India have a positive impact on exports of India with China. AHS total tariff lines of India-Japan, import of India with China, GDP of China and Japan, and total population of China and Japan have a positive impact on import of India with Japan. While export of India with China; AHS and MFN total tariff lines of India with China; GDP of India; total population of India; official exchange rate of China, India and Japan have a negative impact on import of India with Japan.

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1. INTRODUCTION

Trade association under bilateral and multilateral agreements among countries is very old. Most countries have had trade association with each other since ancient times. However, the trade relationship between two countries was restricted after World War II. In 1947, General Agreement on Tariffs and Trade (GATT) introduced an international agency to govern and monitor the trade association among the economies. GATT took the form of a multilateral trade agreement among two or more two countries based on reciprocity and mutual advantage (Vollrath & Hallahan, 2011). GATT has progressively reduced trade barriers across countries in the world. The Asia-Pacific region has witnessed a rapid rise in bilateral preferential trade agreements at the beginning of the twenty-first century (Aggarwal & Urata, 2006). In 1995, the World Trade Organization (WTO) was established to supervise and liberalize world trade (Vollrath & Hallahan, 2011). The WTO is a negotiating forum designed to liberalize world trade (Dubravka & Sira, 2015). It is an international forum to supervise and liberalize trade at global level (Vollrath & Hallahan, 2011).

The world trade organization (WTO) is also working as a multilateral trade organization giving significant attention to increasing foreign trade across member countries. WTO members are engaged in a round of multilateral negotiation known as the Doha Development Agenda. At present, it has become an international agency to maintain the trade relationship among the economies. WTO agreements set rules and governing trade for their member countries. The main endeavours of the WTO are to decrease agricultural subsidies and increase exports opportunities for industrial commodities and services. WTO also creates a legal platform for two or more than two countries to be involved in bilateral or multilateral agreements for trading goods and services. It also prescribed the terms and conditions for global countries for increasing their involvement in international trade. Bilateral agreements or negotiations is defined as an agreement between two or more that two economies which are agreed to make equal amounts of trade in a specific time period.

In bilateral agreements, two economies can make the equal investment under foreign trade (Maluck et al., 2018; Yao et al., 2021). Two countries can also make the plan of foreign direct investment (FDI) under bilateral agreements. There may be multilateral trade relationships between two economies for trading of goods and services. Also, there may be an agreement among the economies. Hence, it reduces the trade barriers among the two countries which desire to do foreign trade with each other. Bilateral trade agreement is also known as bilateral negotiations among the countries. Basically, it includes the two parties. It is used in trade agreements among the economies. It also comprised a broad range of requirements which regulated the trade between two economies. It decides the legal contract between two economies for exchange of goods and services under foreign trade (Bahmani-Oskooee &

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