RUSSIA'S, INDIA'S AND CHINA'S ROLES IN THE WORLD ECONOMY AND THEIR MUTUAL TRADE

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ABSTRACT

The article presents an analysis of the aggregate positions of so called "RIC format" countries (Russia, India, and China) in the world economy and international trade in 2011-2012. Mutual trade between these three emerging market economies may partly help all of them to mitigate the negative influence of the low growth rates in developed countries. In this regard, the author also analyzes current situation in Russian-Chinese, Chinese-Indian and Russian-Indian trade.

Key words: international trade, RIC countries

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In 2011, China and India sustained the rather high-rate dynamics of the GDP growth, although the indices were lower than those reached in the post-crisis year of 2010 and those than forecasted by the IMF. In China, for example, the GDP growth rate reduced from 10.4% in 2010 to 9.2% in 2011, and the latter index was lower than the forecasted 9.6%. In India, the GDP growth rate dropped from 10.8% in 2010 to 7.1% in 2011, while the forecast promised 8.2%. In Russia, the GDP growth rate remained at the level of 2010 (4.3%), while the IMF forecasted it at the level of 4.8%.

The major factor that predetermined some slow-down of economic dynamics in RIC countries is seen in the falling growth rates in developed countries – from 3% to 1.7% in the United States, from 1.9% to 1.5% in the Euro zone, and in the world as a whole – from 5.3% in 2010 to 3.9% in 2011 (see Table 1).

Table 1: Economic growth in selected regions (IMF data and forecast, %)

	2010	**2011**	**2012**	**2013**
World	5.3	3.9	3.3	3.6
USA	3.0	1.7	2.2	2.1
Euro zone	1.9	1.5	-0.4	0.2
Russia	4.3	4.3	3.7	3.8
China	10.4	9.2	7.8	8.2
India	10.8	7.1	4.9	6.0
Brazil	7.5	2.7	1.5	4.0

Source: http://www.imf.org/external/pubs/ft/weo/2012/02/pdf/text/pdf.

As the growth rates of China, India and even Russia happened to be higher than the world average, the three countries' share in the global gross product, calculated by the purchasing power parity (PPP) of national currencies, increased again – from 21.98% in 2010 to 22.93% in 2011. More than that, the IMF predicts the further growth of this index – to 23.68 % in 2012 and

to 24.5 % in 2013 (see Table 2).

Table 2: GDP of selected countries in 2010 – 2013 (IMF estimate and forecast)

	2010	2011	2012	2013
China				
GDP (Bil. USD, current exchange rate)	5930	7298	8250	9038
GDP in PPP (Bil. international dollars)	10128	11300	12382	13580
Share of world GDP (%)	13.56	14.31	14.96	15.64
India				
GDP (Bil. USD, current exchange rate)	1630	1827	1947	2117
GDP in PPP (Bil. international dollars)	4051	4420	4711	5059
Share of world GDP (%)	5.42	5.60	5.69	5.82
Japan				
GDP (Bil. USD, current exchange rate)	5489	5867	5984	5997
GDP in PPP (Bil. international dollars)	4384	4444	4617	4736
Share of world GDP (%)	5.87	5.63	5.58	5.45
Russia				
GDP (Bil. USD, current exchange rate)	1487	1850	1953	2109
GDP in PPP (Bil. international dollars)	2237	2383	2512	2642
Share of world GDP (%)	3.00	3.02	3.03	3.04
United States				
GDP (Bil. USD, current exchange rate)	14499	15075	15653	16198
GDP in PPP (Bil. international dollars)	14499	15075	15653	16198
Share of world GDP (%)	19.41	19.09	18.91	18.65
World				
GDP (Bil. USD)	63179	69899	71277	74148
GDP in PPP (Bil. international dollars)	74684	78970	82762	86836

Source: International Monetary Fund, www.imf.org.

However, it appears incorrect to consider such growth of the RIC economies' share of the global gross product as their own attainment. Rather, it is a sort of a statistical side effect triggered by deceleration of economic growth in the developed countries.

When considering the essence of the problem, we cannot help noting that neither China, nor Russia, not even India with its evidently more introvert orientation were able to reduce the critical dependence of their economic growth dynamics on the foreign markets and the general demand and supply trends in the world economy. The rather high GDP growth rates reached by Russia, India and China in 2011 were largely predetermined by the favorable situation in the world trade as a whole and, naturally, in foreign trade of each of the three countries (see Table 3).

The RIC's aggregate share of the world export grew from 14.4% in 2010 to 14.9% in 2011, and of world import – from 12.8% in 2010 to 13.8% in 2011.

By the WTO data, China retains the position of number one exporter and number two (following the US) importer in the world. Russia succeeded in some improvement of its position in the list of major trading powers as it moved from the 12th to 9th line in terms of export and from the 18th to 17th place in terms of import volumes.

Table 3: Global commodity trade in 2011

	Export				Import			
	Volume $ billion	*Growth %*	*Share %*	*Position*	*Volume $ billion*	*Growth %*	*Share %*	*Position*
World	18215	20	100		18380	14	100	
USA	1481	16	8.1	2	2265	15	12.3	1
China	1899	20	10.4	1	1743	25	9.5	2
Germany	1474	17	8.1	3	1254	19	6.8	3
Japan	823	7	4.5	4	854	25	4.6	4
Russia	522	30	2.9	9	323	30	1.8	17
India	297	35	1.6	19	451	29	2.5	13
Brazil	256	27	1.4	22	237	24	1.3	24

Source: WTO 2012 Press Release, http://www.wto.org.english/news_e/press12_e/pr658_e.htm. The growth rate data are in current prices.

Judging by formal indicators, India's foreign trade, too, was making quite a good progress. In 2011/2012 fiscal year (from April 2011 to March 2012) its foreign-trade turnover, as compared to the fiscal year of 2010/2011, grew by 27.6% and approached close to 800 billion USD (792.3 billion USD). However, a significant part of the growth simply reflects the more expensive price of oil import (from 106 billion USD to 155.6 billion USD) as the average import price of oil grew by 31% – from 85.1 USD to 111.6 USD per barrel. At the same time, in the second half of the fiscal year, the demand for Indian export goods – especially in the Euro zone – fell and this circumstance predetermined the further growth of India's negative trade balance (see Table 4) and the stronger pressure on the exchange rate of Indian Rupee.[1]

Table 4: India's foreign trade (Billion USD)

	2010/2011 fiscal year (April–March)	**2011/2012 fiscal year (April–March)**
Foreign trade	620.9	792.3
Export	251.1	303.7
Import	369.8	488.6
Balance	-118.7	-184.9

Source: PBI Monthly Bulletin, June 2012.

In the first months of the new fiscal year, India's foreign trade experienced even the stronger impacts of the unfavorable situation in the world market. Having occurred for the first time after a lengthy period of time, the reduction of world prices for iron ore (one of the major items of Indian export) was a new and extremely adverse factor for India. As a result, in April-July 2012 Indian export reduced by 5.06% (97.64 billion USD) and import by 6.47% (153.19 billion USD), while the other than oil-related import shrank by 10.82% (99.38 billion USD).[2]

While in 2012 the foreign-trade turnover in Russia and China went on growing, the growth rates were tangibly lower than in 2011. For example, in January-September 2012, Russia's foreign-trade volume grew by 2.7% and reached 611.48 billion USD, while the growth indices were 3.2% (385.67 billion USD) for export and 2.0% (225.81 billion USD) for import.[3] The main problems of Russia's foreign-trade complex remain the same – the hyper-dependence on world prices for fuel-and-energy products (oil, especially) and the very narrow export

[1] India's Foreign Trade: 2011–2012: http://rbidocs.rbi.org.in/Bulletin/PDFS/01AIIF080612.pdf
[2] See http://www.daijiworld.com/news/news_disp.asp?n_id=148488.
[3] Computed on the basis of data from http://www.customs.ru.

potential of other than fuel-and-energy sectors. For instance, in the first seven months of 2012 the share of fuel-and-energy products accounted for 73.4% of Russia's exports to "distant abroad" (i.e. to other than CIS countries), while the respective share of machines and equipment was just 3.3%.[4] In fact, all the growth of Russia's trade is provided owing to the rising oil export prices, while such institutional factors as launch of the customs union, establishment of the free-trade zone within the framework of the Community of Independent States, and accession in the WTO, so far produce quite little effect.

In China the foreign-trade growth rates fell abruptly – from the yearly average 22.5% in 2011 to 6.3% in January-October, 2012. At the same time, export grew by 7.8% – to 1671 billion USD, and import by 4.6% – to 1490 billion USD, while the respective indices in 2011 were 20.3% and 24.9%. China continued to build up the volume of oil import which in the first 10 months of 2012 amounted to 224 million ton (in the respective period of 2011, 209 million ton). The physical volume of iron ore imported in the same period, too, grew to 607 million ton (in January-October 2011, it was 557 million ton), but the price reduced by 13.8%.[5]

A tangible improvement in the foreign-trade situation of RIC countries before the end of 2012 is hardly expectable. Quite meaningful, the World Trade Organization lowered its forecast figures the world trade growth – for 2012, from the earlier predicted 3.7% to 2.5%, and for 2013 – from 5.6% to 4.5%.[6]

Soon after that correction, on October 9, 2012, the International Monetary Fund, too, undertook the downward amendment of its forecasts on the economic growth in the world and RIC countries for the current and next years.[7] Thus the GDP growth in 2012 and 2013 is forecasted respectively as 7.8% and 8.2% for China, 4.9% and 6% for India, and 3.7% and 3,8 % for Russia. By Russian assessments, in the first half of 2012 the national GDP grew by 4.4%, but the forecast for the whole year of 2012 has been corrected downward from the preliminary figure of 3.7% to 3.4%.[8]

Therefore, the general prospects for sustainable and dynamic growth of RIC economies look less optimistic than they did a year ago.

In India, the new five-year period, for which the average GDP growth was planned at the level of 8.2%, could start better. Planned for the nearest three years, the double growth of export, too, appears quite problematic.[9]

So far, China sustains the yearly average of GDP growth at the level of 7.5% as planned for 12th five-year period (2011–2015). However, any problems with sale of Chinese commodities in foreign markets would have a painful impact on employment and increase social tensions. This circumstance, unpleasant at any time, is perceived as most sensitive in the current year, marked by conduct of the CCP congress and the started transfer of power functions to the next generation of the PRC leaders.

By all evidence, Russia is faced with the bigger difficulties in realization of the task to proceed from the resource-based to innovative development model, as without developed processing industry and, especially, diversified machine-building, the material environment, necessary for mastering and application of innovations, would not be available.

Activation of bilateral trade and economic ties within RIC is to make a certain contribution to improvement of the situation.

By the data of the PRC custom statistics, the volume of *Russian-Chinese trade* in 2011

[4] Bulletin of International Commercial Information (BICI), 2012, № 100, September 4.
[5] Data from www.customs.gov.cn and "Haiguan tongji" ("Custom Statistics"), 2011, № 12, p. 3.
[6] Commersant, 2012, September 24.
[7] http://www.imf.org/external/pubs/ft/weo/2012/02/pdf/text/pdf
[8] Nezavisimaya gazeta ("Independent Newspaper"), 2012, August 21.
[9] http://commerce.nic.in/pulications/annualreport201112.asp?id=24.

grew by 42.7% and amounted to 79.25 billion USD, including 38.9 billion USD of Chinese export to, and 40.35 billion USD of Chinese import from Russia. By Russian statistics, the bilateral trade turnover reached 83.5 billion USD, including export from Russia worth of 35.24 billion USD and import from the PRC – 48.26 billion USD. China retained the position of Russia's leading partner, accounting for 10.17% of Russia's foreign trade, 6.83% of export and 15.81% of import (data by the Russian Federal Service of Statistics, and calculations thereon).

Table 5: Commodity structure of China's trade with Russia in 2011–2012 (million USD / %)

	Exports			
	Million USD		**%**	
	2011	*5 months 2012*	*2011*	*5 months 2012*
Total	38903.8	15767.5	100	100
Food products and agricultural raw materials	1852.0	729.8	4.75	4.62
Mineral products	419.7	165.6	1.1	1.05
Chemical products, rubbers	3247.8	1422.5	8.4	9.02
Raw hides, furs and the derivative products	1799.4	444.9	4.6	2.8
Timber and pulp & paper products	585.3	238.7	1.5	1.5
Textile, textile products and footwear	9046.2	3136.2	23.25	19.9
Gems, precious metals and thereon based products	35.0	9.5	0.1	0.05
Metals and metalwork products	3424.0	1343.4	8.8	8.5
Machines, equipment and transport vehicles	15914.0	7231.3	40.9	45.86
Other commodities	2580.4	1045.6	6.5	6.6
	Imports			
	Million USD		**%**	
	2011	*5 months 2012*	*2011*	*5 months 2012*
Total	40345.5	20544.5	100	100
Food products and agricultural raw materials	1688.4	809.6	4.2	3.95
Mineral products	26447.5	14785.3	65.6	72.0
Chemical products, rubbers	3733.0	1887.5	9.24	9.18
Raw hides, furs and the derivative products	14.8	5.2	0.04	0.02
Timber and pulp & paper products	4534.9	1698.8	11.24	8.27
Textile, textile products and footwear	7.2	0.7	0.02	0.01
Gems, precious metals and thereon based products	314.5	216.6	0.73	1.05
Metals and metalwork products	3310.4	1028.7	8.2	5.0
Machines, equipment and transport vehicles	283.6	107.0	0.7	0.52
Other commodities	11.2	5.1	0.03	0.02

Source: Data by the PRC Custom Statistics (Haiguan Tongji, Beijing – 2011, № 12, pp. 48–49, 70–71; 2012, № 5, pp. 52–53, 74–75) and thereon based calculations.

By the Chinese data, in the first ten months of 2012 the Sino-Russian trade retained the higher-rate dynamics than the PRC foreign trade as a whole. As compared with January-October 2011, the volume of Sino-Russian trade grew by 13.4% and amounted to 73.59 billion USD while the PRC export to Russia grew by 14.1% to 36.40 billion USD and import from Russia – by 12.7%, to 37.19 billion USD. By Russian data, in the first 9 months of 2012 the Russian-Chinese trade grew by 10.9% and reached 64.75 billion USD, including Russian export to the PRC worth of 26.73 billion USD, and import from the PRC – 38.02 billion USD.

As for the structure of the Russian-Chinese trade, the trends of the last several years have been sustained and even strengthened. In the Russian exports to China, the shares of mineral products and, in particular, fuel-and-energy products are growing progressively – the respective figures for 2011 were, respectively, 65.6% and 56.75%, and for the first 5 months of 2012 – 72% и 66.2%. Apart from oil and oil products, Russia started the growing supplied of its iron ore to China. Another trend is seen in the fact that machines and equipment account for the ever smaller percentage of Russian exports to China – this share reduced to 0.7% in 2011 and to 0.52% in January-May of 2012. On the contrary, the share of machines and equipment in the Russian imports from the PRC continues to grow – from 40.9% in 2011 to 45.8% in the first 5 months of 2012 (see Table 5).

The disagreements about the gas price impede the practical realization of the agreement on the large-volume supplies of Russian natural gas to China. The two parties actively search new vectors of cooperation including, among others, the sphere of investments.

After the rapid growth in 2010, the *Sino-Indian trade turnover* in 2011 demonstrated the slower dynamics. By Chinese date, the bilateral trade volume grew by 19.7% and reached 73.92 billion USD, including the PRC export to India worth of 50.54 billion USD (growth by 23.5%) and import from India – 23.38 billion USD (growth by 12.1%).

In 2012, Indian export to China was painfully hit by the fall of prices for iron ore which in 2010 accounted for 60% of value of all Indian supplies to the PRC. The share of this item, already reduced in 2011 to 47% of export, in the first 5 months of 2012 shrank to 33% (see Table 6). In order to keep at least some balance in its trade with China, India was constrained to increase its supplies of textile, gems and raw leathers to the PRC. It seems that India's export potential in trade with China is close to physical depletion – at least, in the current context of low iron-ore prices in the world market. It is not impossible that attainment of the target volume of Sino-Indian bilateral trade – 100 billion USD – would be removed to a more distant future.

In the first 10 months of 2012 the volume of Sino-Indian trade reduced by 8.1% (to 55.69 billion USD) including the 5.7% reduction of the PRC export to India (39.35 billion USD), and reduction of import from India (as compared to 10 months of 2011) by 13.3% - that is, to 16.34 billion USD.

Table 6: Commodity structure of China's trade with India, 2011–2012 (million USD / %)

	Exports			
	Million USD		**%**	
	2011	*5 months 2012*	*2011*	*5 months 2012*
Total	50543.2	18719.4	100	100
Food products and agricultural raw materials	309.8	167.4	0.6	0.9
Mineral products	820.6	184.7	1.62	0.99
Chemical products, rubbers	11343.1	3483.0	22.44	18.6
Raw hides, furs and the derivative products	308.6	132.4	0.6	0.7
Timber and pulp & paper products	548.8	207.7	1.08	1.1
Textile, textile products and footwear	4093.8	1446.1	8.1	7.7
Gems, precious metals and thereon based products	100.8	20.7	0.2	0.11
Metals and metalwork products	5334.1	2006.2	10.55	10.72
Machines, equipment and transport vehicles	25387.3	10149.7	50.23	54.22
Other commodities	2296.3	921.5	4.76	4.96
	Imports			
	Million USD		**%**	
	2011	*5 months 2012*	*2011*	*5 months 2012*
Total	23374.7	9778.6	100	100
Food products and agricultural raw materials	1010.5	455.6	4.32	4.66
Mineral products	11026.1	3230.3	47.17	33.0
Chemical products, rubbers	2165.9	843.6	9.26	8.64
Raw hides, furs and the derivative products	342.5	156.7	1.46	1.6
Timber and pulp & paper products	7.4	3.4	0.03	0.03
Textile, textile products and footwear	3734.2	2942.8	15.98	30.1
Gems, precious metals and thereon based products	1195.7	504.2	5.1	5.15
Metals and metalwork products	2664.2	1116.9	11.4	11.42
Machines, equipment and transport vehicles	1117.2	430.3	4.78	4.4
Other commodities	111.0	94.8	0.5	1.0

Source: Data by the PRC Custom Statistics (Haiguan Tongji, Beijing – 2011, № 12, pp. 32–33, 54–55; 2012, № 5, pp. 36–37, 58–59) and thereon based calculations.

The Russian-Indian trade in 2011 went on growing progressively – mainly, for the first time in the recent years, owing to increase of Indian export to Russia (see Table 7).

Table 7: Russian-Indian trade (million USD)

	2007	2008	2009	2010	2011
Export	4011	5230	5936	6393	6094
Import	1310	1707	1525	2143	2799
Trade turnover	5321	6937	7461	8536	8893

Source: Drawn on the "Rossiya v cifrakh" database (Russia In Figures). 2012. E-version. Russian Federal Statistic Agency website: www.gks.ru.

By Russian custom statistics' data, in the first 9 months of 2012 Russia's trade with India grew by 29.8% and amounted to 7.8 billion USD, including 5.55 billion USD of Russian export to, and 2.25 billion USD of Russian import from India. As compared to the same period of 2011, Russian export grew by 38.7% and Russian import from India – by 11.9%. By all evidence, the Indian side experiences notable difficulties in structuring its export to Russia and in balancing the bilateral trade. As for Russia, the long delays with the launch of core fuelling for the reactor at Kudankulam atomic power plant (caused by the local population protests) seed doubts regarding the grand-scale plans for further supplies of Russian equipment for atomic plants to India.

Nevertheless, the more profound bilateral and trilateral cooperation within RIC would contribute to neutralization of negative consequences, caused by stagnation of developed economies for Russia, India and China, as well as to consolidation of the three countries' positions in the world economy. As evidenced by the latest Global Competitiveness Index by the World Economic Forum, each of the RIC countries has substantial reserves for improvement. In terms of competitiveness, among the 144 surveyed countries China took the 29th place (a year before it was the 26th place among 142 countries), Russia was placed in the 67th place and India in the 59th place (in the previous rating, the latter two countries took the 66th and 56th place respectively).

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