



INDIA'S TRADE RELATIONSHIP WITH GERMANY

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ABSTRACT

Decades of friendship and collaboration mark the history of Indo-German relations. India was the first nation to finish a war with FRG (Federal Republic of Germany) after World War II and the first to familiarise itself with a recently established country. As early as 1951, diplomatic terms were developed, but differences of ideological type assist two countries to expand and extend relations and cooperation beyond trade, cultural exchange. Although Germany pursued rapid NATO integration and intensified its relations with the West, in the heart of Europe, The frontline state was formed between the USA and the Soviet Union; India preferred to proceed on its course, first Nehru Foreign Policy Order became non-alignment.

INTRODUCTION

The problem of diplomatic relations between Germany and India led, however, serious controversies were settled only when the Hallstein Doctrine was abandoned by Germany. Indeed in 1972 India finally recognized the second German state and established diplomatic relations with the DDR. However, relations in some industries have over time improved and deepened, taking into account the Cold War strategy. German participation in the field of development cooperation has proved to be a particularly invaluable factor in the establishment of close relations between India and Germany, supplemented by successful cultural exchanges, untroubled by historical or imperial legacies. However the economic component of relations has long played a subordinate role, and there has been no cooperation



on security policy matters. The political interests of the FRG in India remained poor until the 1990s and the relationship could best be described as a 'benign neglect' policy¹.

Global politics transformed radically with the end of the Cold War and the fall of the Soviet Union. India has not only lost its largest and powerful trading partner, but also its most prominent supporter and partner in foreign policy. India had to revise its foreign policy and recognize its role in the world after the Cold War.

In a globalizing, multipolar world, The reforms of 1991, including liberalizing the economy, the removal of regulatory controls, expansion of domestic markets, laid the foundation for the upcoming success of India. To serve as a magnet of influence, the Indian government known that globalizing was needed to acquire & maintain economic development & those powers need to be adequately wealthy. Relations b/w India & Germany started to develop in the last decade of the twentieth century, as did India's role in the new world order. The emerging potential of India was realized by German foreign policy and in the twenty-first century, the 'Agenda for both German-Indian Cooperation' gradually established a structured framework for their better relations in upcoming years.²

❖ Literature Review

Mr. Felix Ruben H. Rau (2018)³ Germany and India have strong political and cultural ties on long-standing grounds. The mutual economic, cultural, and political interest is the basis of the foreign relationship between Germany and India. India was the very first country that ended the state of war against Germany after World War II and recognized the new Republic. Bilateral relations are reflected in the number of Indian students enrolled at German universities, which stood at 13,537 in 2016, and Germany supported in the establishment of the Chennai Indian Institute of Technology, the Gurgaon Indo-German Science and Technology Centre, and several other institutions and industries. This study looks at a few areas of collaboration between the two nations and the path forward for the future.

PamreihorKhashimwo (2015)⁴ In 1951, Nehru and Adenauer set up diplomatic relations. From the 1960s to the 1980s when benign neglect stagnated, relations between India and Germany were caught after an auspicious beginning in the early period. Germany has drawn

¹Cp. Dietmar Rothermund, *Indien. Kultur, Geschichte, Politik, Wirtschaft, Umwelt, Ein India. Culture, History, Politics, [Handbuch (Munich: J]Economy, Environment: A handbook C.H.Beck, 1995), 474.*

²3 Cp. Walter Andersen, "Recent Trends in Indian Foreign Policy", *Asian Survey* 41, no. 5 (2001): 765–776.

³Mr. Felix Ruben H. Rau, "International Relation between Germany and India", *Annual Research Journal of SCMS, Pune* Vol. 6, March 2018.

⁴PamreihorKhashimwo, "India and Germany: Global Partnership in 21st century", *International Journal of scientific research and management (IJSRM) ||Volume||3||Issue||6||Pages|| 3188-3195||2015|| \ Website: www.ijsrm.in ISSN (e): 2321-3418*



attention following India's economic reforms and subsequent economic development. India is Germany's most significant partner in South Asia for scientific and technological cooperation, and both countries have entered into a planned partnership in education, science, or research that provides a framework for many forms of cooperation. In the twenty-first century, how will these two main forces in the world deal with each other? In an evolving international climate, the paper focuses on fostering a broad understanding of Indo-German viewpoints on bilateral ties as well as foreign policy outlooks. The key challenges will be to expand the current building to solve conventional and non-traditional security problems. Germany & India need to push their relations further beyond acquirer of BMW & Mercedes cars.

Ghosh Dastidar and Sayantan's (2015)⁵ study seeks to establish the theories behind the differential output during the post-reform era of India's registered and unregistered manufacturing sectors. The study covers the theoretical literature on the association of trade liberalization in the unlicensed sector to recognize the mechanisms by which the performance of the unlicensed segment might have been affected by trade liberalization, in addition to addressing the possible causes behind the absence of trade-growth nexus in the registered sector. Trade liberalization appears to have indirectly helped the unregistered sector by increasing no. of registered sector sub-contracting activities. The absence of rigid labor-related rules also led to restructuring in the non-registered sector and faster growth through the elimination of inefficient businesses, as the registered segment did not.

Mrs. Monalisa Singh and Mr. Dilfraz Singh (2014)⁶ This article discusses India-potential Germany's for increased trade and tries to assess key advantages for any economy. Even in a perfectly dynamic world called free trade, the pattern of trade flows between the two economies is created. For international trade, it is important to research trends, composition, and power, as it allows us to find out why and to what extent exporters are unable to meet all their potential. Table comparisons and trade intensity predictor formula are used to analyze data.

Asma Khatoon (2013)⁷ For two large economies, the bilateral trade between Indo-German is considered to be a distance of a substantial volume. Given fact that both economies have dedicated themselves to raise bilateral trade, there is still a mutual need to reciprocate the value India assigns to Germany. Together India and Germany create several opportunities that remain uncharted for each other. This study explored, from global and bilateral viewpoints, the enhanced trade ties and trade between both economies. The reason for this

⁵Ghosh Dastidar, Sayantan (2015): *Manufacturing and Trade Liberalisation of India: Continuing the Debate*

⁶Mrs Monalisa Singh and Mr Dilfraz Singh, "An Empirical Analysis of India's Merchandise Trade", *PARIPEX - INDIAN JOURNAL OF RESEARCH*, Volume : 3 | Issue : 8 | August 2014.

⁷Asma Khatoon, "Indo-German Bilateral Trade Relations: Opportunities and Challenges", *Transnational Corporations Review* Volume 5 Number 3 September 2013.



work is not just to calculate the bilateral trade scale among the two countries over the 2008-2013 periods, but it is also to draw a few possible conclusions. The research focuses on the bilateral trade challenges and opportunities between these countries and, in particular, on challenges that impede cooperation.

Tiwari, Rajnish &Herstatt, Cornelius (2010)⁸study verified Germany's growing position concerning Indian FDI & vice versa. Since trade relations b/w both countries increase & Indian companies are increasingly pursued abroad, Germany will become crucial for several Indian firms. Nevertheless, because of geographical, cultural, and linguistic distances, Germany remains a challenging market for various Indian companies. Nevertheless, as the study indicates, exceptional success in this highly lucrative market can be achieved with careful cultivation.

Mukherjee, S. and S. Mukherjee (2012)⁹In the last two decades, exports have an increasingly vital role in the economic growth of India. This study evaluates the effectiveness of exports from India and the different economic factors that have led to its development. The study also offers a summary of the export quality of 3 major goods, including jewelry&gems, cotton & electronic products, as manufactured exports account for a substantial proportion of India's total exports (merchandise) and summarise significant policy changes that could influence the present trends shown in these sectors.

Objectives of the study

The goal of the study is to explore ties between India and Germany, as well as the potential of international trade relations. The following goals are established to promote the identification of objectives:

1. To examine the Indo-German Trade Relationship from 2010-2011 to 2019-2020
2. Identifying trade composition between India and Germany between 2010-2011 and 2019-2020
3. To analyze the impact of bilateral trade b/w Germany & India on India's GDP and German GDP.
4. Evaluate the potential for Indo-German Trade and prospects.

❖ Hypotheses of the study

⁸Tiwari, Rajnish &Herstatt, Cornelius. (2010). *Indian Firms in Germany: Recent FDI Trends & Critical Success Factors*.

http://indien.ahk.de/fileadmin/user_upload/Dokumente/IndoGerman_Trade_10/Indian_Firms_in_Germany.pdf.

⁹Mukherjee, S. and S. Mukherjee (2012). *Overview of India's Export Performance: Trends and Drivers*. Indian Institute of Management, Bangalore, working paper (363), April 2012. <http://dx.doi.org/10.2139/ssrn.2116269>



1. Ho: There is no significant difference between India's export to Germany and Imports from Germany.
2. Ho: There is no significant impact of bilateral trade between India and Germany on GDP
3. Ho: There is no significant impact of bilateral trade between India Germany on German GDP.

❖ **Research Methodology**

This study is associated with quantitative methods of analysis to gain the study objectives. In the research of India's trade relations with Germany and common products for the trade between India and Germany, an analysis was conical because the study deals with a specific area. The reference period for the analysis is 2010-2011 to 2019-2020. An RCA value that is greater than one and is rising over the reference period implies that the exports of a given product are rising faster than that of the world exports. The analysis of the result is performed using the SPSS tool.

❖ **Research Methods**

Methods can be analogized as research ingredients, while methodology is a formula for research. This includes how the researcher performs research by using particular techniques or procedures to collect and analyze data to address the research questions that were originally formulated. The research method is said to be a set of methods to be used for data collection and analysis. There seems to be no absolute methodology that can answer all questions from the analysis. It is proposed that there must be a suitable method of investigation for each research issue. Therefore, this work uses many strategies to understand and improve the problems involved in the analysis to understand and develop them. This study uses a quantitative research method, which includes theories and index analyses. Independent t-test and significant value to know the level of significance.

In this, we use an independent t-test to check the data. The independent t-test is an inferential statistical test that detects whether there is a statistically major difference b/w mean level of two unrelated classes; it is also known as a two-sample t-test, an independent t-test sample, or a student's T-test.

To run an independent t-test, you need the following:

- A categorical independent variable of 2 levels or groups.
- A continuing variable is reliant.

❖ **Data source description**

SHASHIKANT BHARAT SHINDE

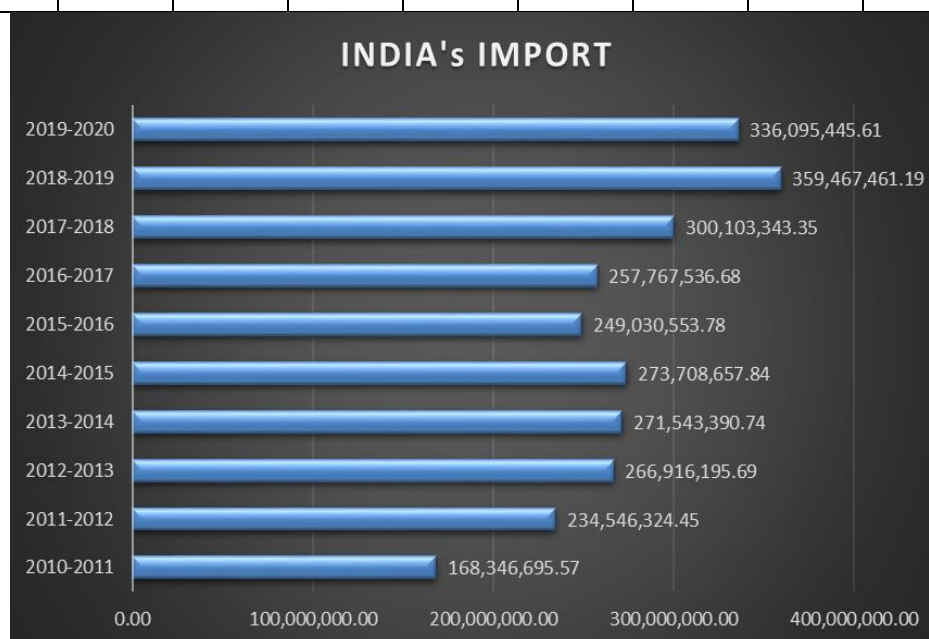
5P a g e

A. India import

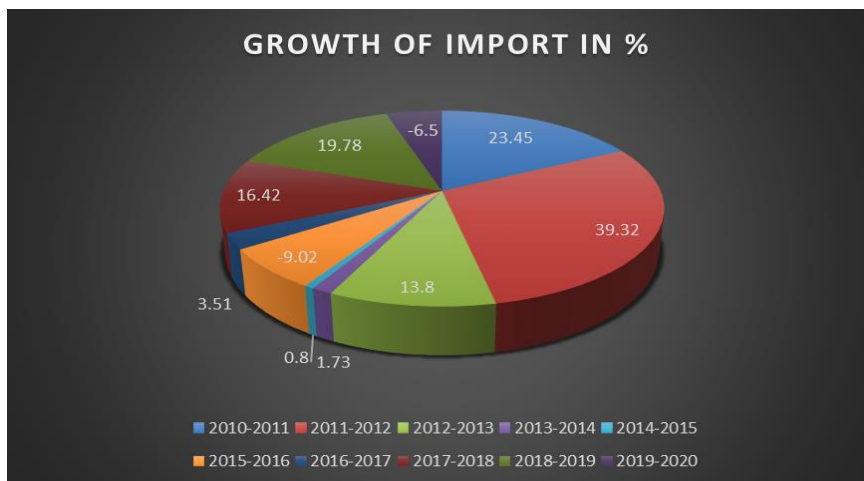
The import growth and percentage shares between India and Germany for the year 2010-2011 and 2019-2020 are shown in table 1. Growth in 2010-2011 or 2011-2012, which shows an increase in the previous market value of 23.45 and 39.32, is in 2011-2012. Growth in 2012-2013 is 13.80%, a decrease from the previous mark. In 2013-2014 growth is 1.73, 2014-2015 growth is 0.80, 2015-2016 growth is -9.02, 2016-2017 growth is 3.51, 2017-2018 growth is 16.42, 2018-2019 growth is 19.78 and 2019-2020 growth are -6.50. India and Germany had a dynamic growth relationship owing to good & vibrant cooperation on trade, culture, & strategic fronts.

Table 1: Import Growth & Share in % between India & Germany from 2010-2011 to 2019-2020

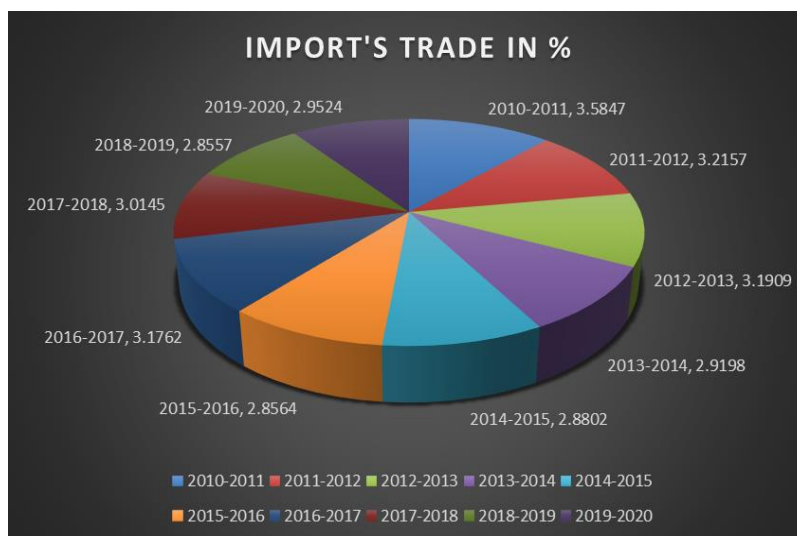
Year	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
India import	168,346,695.57	234,546,324.45	266,916,195.69	271,543,390.74	273,708,657.84	249,030,553.78	257,767,536.68	300,103,343.35	359,467,461.19	336,095,445.61
% growth	23.45	39.32	13.80	1.73	0.80	-9.02	3.51	16.42	19.78	-6.50
% trade	3.5847	3.2157	3.1909	2.9198	2.8802	2.8564	3.1762	3.0145	2.8557	2.9524



Graph 1: Graphical Representation of the Import Growth between India and Germany from 2010-2011 to 2019-2020



Graph 2: Graphical Representation of the Import Growth % between India and Germany from 2009-2010 to 2019-2020



Graph 3: Graphical Representation of the Import Trade % between India and Germany from 2010-2011 to 2019-2020

A. India's export

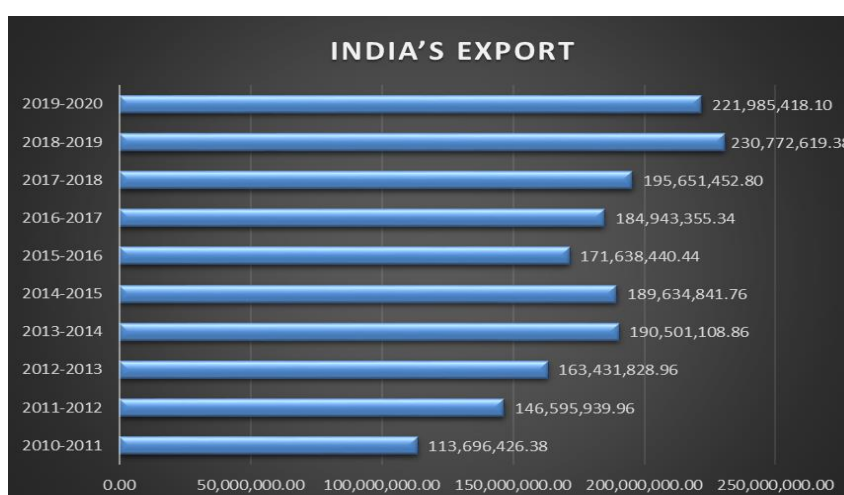
This table shows the export, growth, and share in percent between India and Germany from 2010-2011 to 2019-2020. Grows of 34.47 percent 2010-2011 is the same, with some decreases from the previous record of 28.94 percent in 2011-2012. Growth in 2012-2013 is 11.48 percent, which indicates a reduction of the previous mark value. In 2013-2014 growth is 16.56, 2014-2015 growth is -0.45, 2015-2016 growth is -9.49, 2016-2017 growth is 7.75,

SHASHIKANT BHARAT SHINDE

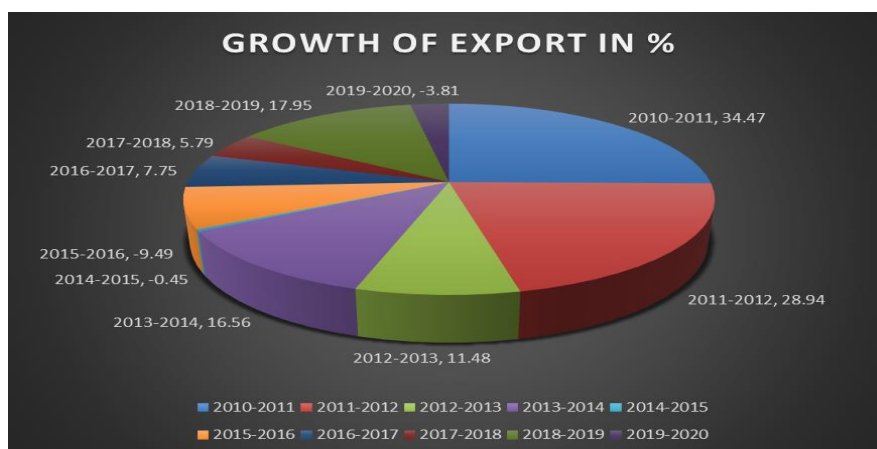
2017-2018 growth is 5.79, 2018-2019 growth is 17.95 and 2019-2020 growth are -3.81. India and Germany's growth relations have been dynamic due to solid, dynamic commercial, cultural, and strategic cooperation.

Table 2: The Export Growth % between India and Germany from 2010-2011 to 2019-2020

Year	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
India's export	113,696,426.38	146,595,939.96	163,431,828.96	190,501,108.86	189,634,841.76	171,638,440.44	184,943,355.34	195,651,452.80	230,772,619.38	221,985,418.10
% growth	34.47	28.94	11.48	16.56	-0.45	-9.49	7.75	5.79	17.95	-3.81
% trade	2.7018	2.5898	2.4113	2.3895	2.429	2.7067	2.6037	2.8619	2.6953	2.6453



Graph 4: Graphical Representation of the Export Growth between India and Germany from 2010-2011 to 2019-2020



Graph 5: Graphical Representation of the Export Growth % between India and Germany from 2010-2011 to 2019-2020



Graph 6: Graphical Representation of the Export trade % Between India and Germany from 2010-2011 to 2019-2020

❖ **Result analysis**

This result table shows a statistically significant difference between import and export data on a yearly basis. In this result table, the 0.05 sig value is prefixed, which shows the sig value is significant or non-significant. Since a definition (also called alpha) must be set which will allow the alternative hypothesis to be either rejected or accepted. This value is usually set to 0.05.

In 2010-11 sig value is 0.048, this shows an insignificant level, F-value is 3.958, T-value is 1.004, and sig error difference is 18535.47, there is no significant difference between India's export to Germany and import from Germany. In the year 2011-12, the F value is 6.367, the

SHASHIKANT BHARAT SHINDE

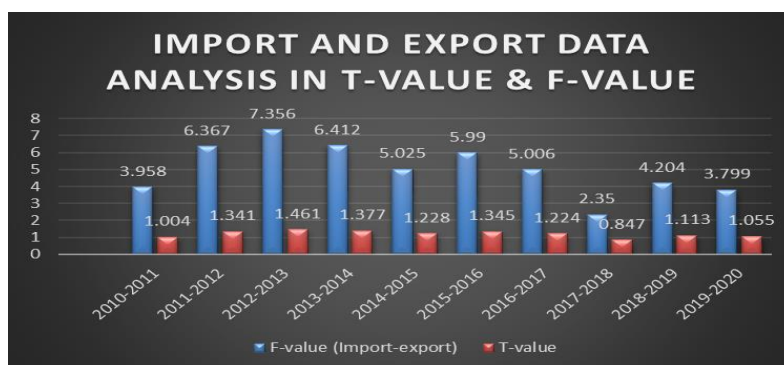
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T value is 1.341 and std. error difference is 28645.95 and sig value is 0.013 which shows the significant level. Similarly, data on yearly basis is mention below table.

In the 2017-18 year,the sig value is 0.127which is non-significant. That GDP is not increasing. In this case,the recession is shown negative but after this year 2018-19, the sig value is 0.042 which is under the significant value. This immediate response to economic reforms demonstrates Germany's continuing interest & confidence in this country's perspective. The economic reform perspectives would have a beneficial impact on bilateral relations. Showing the positive result in the case of import

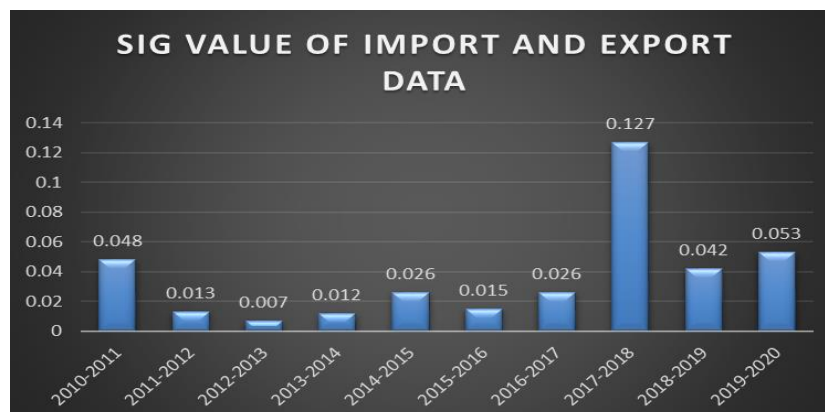
Table 3: The Import -Export between India and Germany from 2010-2011 to 2019-2020

Import-export Years	F-value (Import-export)	Sig. value	T – value	Std. Error difference	Significant/ Non-significant
2010-2011	3.958	0.048	1.004	18535.47	Significant
2011-2012	6.367	0.013	1.341	28645.95	Significant
2012-2013	7.356	0.007	1.461	28307.72	Significant
2013-2014	6.412	0.012	1.377	27960.10	Significant
2014-2015	5.025	0.026	1.228	27348.43	Significant
2015-2016	5.990	0.015	1.345	29056.26	Significant
2016-2017	5.006	0.026	1.224	29117.74	Significant
2017-2018	2.350	0.127	0.847	41287.59	Not significant
2018-2019	4.204	0.042	1.113	40706.74	Significant
2019-2020	3.799	0.053	1.055	37321.05	Significant



Graph 7: Graphical Representation of Import-Export Data Analysis between India and Germany from 2010-2011 to 2019-2020

SHASHIKANT BHARAT SHINDE



Graph 8: Graphical Representation of Import-Export Sig Value between India and Germany from 2010-2011 to 2019-2020

❖ Conclusion

India is becoming an open country that welcomes investment. Govt. of India has proposed substantial investment in different sectors to reach prosperous India goals that match the needs of their people. The Indo-German High Technology Manufacturing Partnership will greatly help both countries and improve their companies. To achieve a secure and prosperous partnership, Germany and India have an added potential together. While Germany has developed itself with high-tech technology, its population is aging and will not have sufficient young, educated workers and academics in the long run. India, however, has a huge scale, a young and high-quality workforce from which Germany could benefit. Our research study shows that India is highly important. As both countries have complementary resources to solve future challenges, both countries can be seen together. More trust and shared understanding in various sectors would contribute to close cooperation between the two partners in Europe. The considerable potential for mutual development could be published if achieved.

In this increasingly connected economy, India and Germany are important countries. Indian GDP has grown significantly more than 8 percent annually in recent years. Germany, by comparison, is Europe's largest economy.

Indian companies have a great opportunity to cooperate in defense, science & technology, and logistics with German companies, and to forge closer cooperation between small and medium-sized enterprises in both countries. In the next few years, many more initiatives, visits, activities, and agreements are expected. In sectors like the retail, electronics, auto, aviation, and entertainment industry, German companies would like to exploit their huge market potential in India. We are optimistic that shortly, the reach of cooperation and German investment in all these sectors will substantially increase.

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