

Research Article

India- China Relations: Problems and Prospects

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Abstract

India and China are the most populous countries on the globe, geographical neighbours on land and major powers in Asia. Both the countries seek regional and global influence through continued fast-paced economic growth and strategic ambitions. India has the top priority of neighbouring countries and the Indian Ocean in its foreign policy of South Asia. The Government has formalized as a 'neighbourhood first' policy and paying visits besides encouraging, bilateral trade through strengthening regional associations. India – China relations dates back to pre Independence era. India signed the Panchasheel Treaty in 1954 with China and India's relations with China were cordial and friendly with mutual understanding. However, relations became worse during 1962 with the result of the India-China war and the closing of bilateral relations due to border issue. The process of normalization of relations and opening of Embassies started in 1976. The India China Joint Working Group was set up to promote bilateral relations, economic cooperation and boosting trade. However, India-China border issue could not resolve after several rounds of talks. Even though India had signed Shimla Pact with China in 1971 which was based on McMohan Line. The recent developments in India-China relations are highlighting the vast scope of bilateral trade, economic cooperation and cultural ties despite the border conflict as both the courtiers have reciprocated to maintain peace and tranquillity on their borders.

Introduction

India has improved its relations with major countries including the USA, Russia, China, Japan, Germany as well as Brazil, South Africa, Indonesia, Singapore, Vietnam, Korea and Australia. India is also an active participant in various multi-lateral associations and regional settings such as G-20, ASEAN, East Asia Summit, Shanghai Cooperation Organization, European Union, and BRICS. On the other hand, China has become the second-biggest economy in the world. China's leaders have made a conscious decision to leverage its vast continental and maritime geography to enhance China's geopolitical influence across the border in Asia. It proves from the large investment in building railways, roads, pipelines and communication links within China's hinterland provinces in Western, Southwestern and Northern regions for their development. Xi Jinping has expanded the policies into various ambitious projects referred to as "one belt one road project". Thus, it would be a threat perception for India. Chinese guiding principles have allowed China to position itself in the world during the period of its isolation, as it was emerging and now it has emerged as a major power set to overtake the leading power in economic terms for the near future (Bhalla, 2018: 15). The guiding principles provide the PRC's

leaders with ideological consistency in an objective world of enormous change, a position of inflexibility on global power distribution while allowing interpretive flexibility on their changing view of the world. China's engagement in South Asia has undergone two major shifts. In the immediate aftermath of the establishment of the PRC, India's centrality as dominance in South Asia was the chief characteristic of the regional geo-politics. Despite the world ideological divide and China's membership of the socialist block, both India and China accorded primacy to the Sino-Indian relationship and sought to insulate it from the bio-polar politics of the time. However, India signed the Panchsheel Treaty with China in 1954 which provided a new and alternative set of norms for international relations during an intense cold war period. The India China boundary dispute since the latter half of the 1950s and border conflict in 1962 brought the budding resurgence to a grinding halt and effectively scuttled the possibilities of any collaboration between India and China (Acharya, 2018: 23).

The post-1962, China-India-Pakistan triangular dynamic derived its rationale from the hostility that China and Pakistan shared viz-a-viz India, which was sustained and nurtured by the decade and a half long chill in the Sino-Indian relationship. During the period, Pakistan provided a way to China for the development of the Karakoram highway while China supported Pakistan in its military strengthening. In the 1970s, witnessed two sets of triangular politics viz., USA-USSR-PRC, and PRC-India-Pakistan which made a substantial impact on sub-continental geo-politics. The post-Mao period witnessed China, under the leadership of Deng Xiaoping, opening up to the outside world, welcoming foreign capital and embarking on domestic market reforms focused on development and modernization. This required a peaceful and stable internal and external environment, which resulted in the adoption of an independent foreign policy of peace and development. Prime Minister Late Rajiv Gandhi made a visit to China in November 1988 which paved the way for normalization of relations between India and China and promotion of interactions in economic and cultural fields. The two landmark agreements in 1993 and 1996 brought a significant degree of peace and tranquillity along the disputed boundary.

Strategic Issues

The importance of India-China relations cannot be undermined in India's overall foreign policy. China's Asian geopolitical landscape and global balance of power are increasing while its involvement in South Asia in recent years improved its status in the subcontinent as a great superpower. Unlike the Cold War era, when a backward China was confined to a limited role in South Asia's security and economy, four decades of reform and opening up to the world equipped the country with financial wealth, industrial power and military capabilities. India and China have been working according to rival geopolitical point of view. Although China has been a direct neighbour of South Asia, it was only in the last decade that Chinese policymakers in their regional policy started to pursue more sustained political and economic relations with several states along the border of the subcontinent and the Indian Ocean. Following Xi Jinping's 2013 and 2014 foreign policy guidelines, China adopted a policy aimed at increasing the development options of its neighbours, as well as promoting new lines of communication or corridors along its southwestern periphery. Much of this incentive has been provided by the Belt and Road Initiative (BRI) - a grand connectivity scheme that encompasses a network of states economically connected to China through various commercial-financial relationships and industrial projects. South Asia is one of the five regions identified as regions expanding China's geo-economic footprints. Since the 1990s, India has also considered ways to reconnect with its South Asian neighbours and create a sense of integration and interdependence in the

subcontinent while this process has found bipartisan political appeal; ideas, resources and institutions remain at a block level to advance meaningful regional integration (Singh, 2019).

India and China are among the worst diplomatic relations ever. The current Galwan border dispute is worse than the 72-day long Doklam standoff in 2017. It has caused the first Indian death in the last forty-five years on the border (Biswas, 2020). This has worsened the already deteriorating relationship between the two countries, proving that Chinese President Xi Jinping's aggressive policy is in sharp contrast to Deng Xiaoping's 'low profile' approach in international affairs (Rühlig, 2018). The Line of Actual Control (LAC) between India and China has not been demarcated, making the border dispute a common phenomenon. These include multiple incidents of face-off and transgressions. In this episode, simultaneous disputes broke out in the Galwan sector, Demchok, Pangong Lake, and Khalu-La (Khalid, 2020) in Sikkim. It is not clear which side started the fight, but both of them lost their lives. In January 2021, satellite images made it clear that China built a new village about 2 km away on the Indian side of the LAC in the state of Arunachal Pradesh (Krishnan, 2021). China has never recognized Arunachal Pradesh and claimed that the state is part of their territory. There has been much speculation as to why Chinese aggression increased along the border: (a) repealing India's Section 370 which changed the situation in Ladakh, (b) improving relations between the US and India, or (c) improvement in relations between India and Taiwan (Madan, 2020).

China, a strong military power has thus tried to show India its place. Additionally, whenever there is a domestic issue, China shows 'risk-taking behavior' at the border to distract people from their problems (Bhatt, 2020). In this episode, Chinese authorities came under attack to deal with the COVID -19 pandemic while China has called for the separation of the border dispute from trade, New Delhi has categorically stated that there will be no return to normalcy between the two countries until the status quo is restored to the border. In retaliation, India has banned twenty-nine Chinese apps such as PubG, TikTok and Shein which were widely popular. In addition, the Indian government has tried to reduce the country's dependence on China by calling for Indian self reliant policy. The Minister for Road Transport Highways and MSME has also said that investment from China should be 'discouraged' by stating that while India may be militarily weak; it could hurt China financially (Press Trust of India, 2020). As a result of the deadlock, India has developed strong ties with Australia, Japan, Indonesia, Vietnam, France and the United Kingdom (IISS, 2020). In return to pressurize India, China has developed a strong relationship with India's rival Pakistan. The China-Pakistan Economic Corridor (CPEC), which passes through Gilgit-Baltistan, is a part of "Pakistan-administered Kashmir". It has been the subject of a dispute between the two countries since 1947. Pakistan has recently given the region 'provincial status', which legitimizes CPEC activity carried out by China. In addition, China is involved in Nepal's diplomatic crisis at a time when relations between India and Nepal are at its worst and has invested billions of dollars in Nepal through the Belt and Road Initiative (BRI (Pant, 2021)).

Sino-Indian suspicions and tensions have remained over their disputed border, called the Line of Actual Control (LAC). Both countries disagree even as to the length of the LAC, which India places as about 4,000 km and China half that. The reason is that whereas for China the dispute comprises India's province of Arunachal Pradesh – which it claims is part of southern Tibet – for India, the dispute also covers the Aksai Chin area annexed by China in the 1962 conflict (Roy-Chaudhury, 2015). During Chinese President Xi Jinping's visit to India in September 2014, Chinese forces crossed the LAC at Chumar in the Ladakh border region

between Jammu & Kashmir and Chinese-controlled Aksai Chin resulting in a military ‘standoff’ that lasted for two weeks, (Levesques, 2014). Modi’s response was robust. Having criticized China’s ‘mindset of expansion’ during his electoral campaign (Gottipati, 2014), he sent reinforcements to the area and ensured that Indian troops held their positions. Modi also publicly expressed concern over the border dispute and raised the issue of Beijing’s policies in the neighborhood with his guest (Roy-Chaudhury, 2015). For the first time, in June 2017 a tense military standoff began between Indian and Chinese troops when Indian soldiers entered the high-altitude Doklam plateau, claimed by both China and Bhutan, to halt the construction by Chinese People’s Liberation Army (PLA) personnel of a road project in a disputed tri-junction border area with China, Bhutan and India’s northeastern state of Sikkim (Levesques, 2017). India’s intervention took place after consultation with the Bhutanese authorities owing to concerns that the Chinese road was being extended towards the strategically located Jampheri Ridge, which overlooks India’s Siliguri Corridor, the thin strip of land that connects its seven northeastern states to the rest of the country. At its peak, it was reported that upto 3,000 troops ‘faced-off’ against each other on both sides (Pandit, 2017). This was the longest and most serious India–China standoff for decades, since the 1986–1987 standoff in the Sumdorong Chu region, which lasted for eight months (Banerjee, 2017). India and China both asserted that the other had attempted to unilaterally change the ‘status quo’; with India insisting that China was in violation of a 2012 agreement in which the tri-junction boundary points would be finalised in consultation with the concerned countries (Government of India, 2017). However, China consistently reiterated its sovereignty over the area, and insisted that Indian troops had ‘illegally trespassed the boundary’ into Chinese territory, in violation of international law (Ministry of Foreign Affairs of the People’s Republic of China, 2017). China warned that there would be ‘serious consequences’ unless Indian troops withdrew prior to negotiations. The Doklam military standoff eventually ended on 28 August 2017, after several rounds of closed-door bilateral negotiations and discussions, with India and China agreeing to an ‘expeditious disengagement of border personnel’ (Government of India, 2017). This enabled Modi to travel to the BRICS summit in China the following week. As a result, no shots have been fired between Indian and Chinese troops across the LAC in the past 55 years (Karmakar, 2015).

China’s infrastructure building activities in India’s neighbourhood, which have bearing on security issues and which have the potential to affect a transformation in strategic terms, have raised the considerable issue within the security establishment in India. China’s construction of the Chittagong port (Bangladesh) which directly borders the North-East region of India, Hambantota Deep Sea Port (Sri Lanka) and the Gwadar Port (Pakistan) added more grist to the mill, viz. the much bandied formulation of the string of pearls which evokes fears of being encircled by China (Pehrson, 2009). China’s enlarging global and regional profile, as reflected in its emergence as the second-largest economy in the globe in terms of GDP, has been buttressed by a high degree of engagement with all the regions on its periphery. Since the mid-1990s, the PRC had been expressing its interest in SAARC. This can be traced to the new thinking about neighbouring diplomacy in the Chinese foreign policy establishment since the end of the cold war, which represented a theoretical shift in the PRCs approach to international and regional institutions. Indian foreign policy towards China during the new government under the leadership of Prime Minister Shri Narendra Modi witnessed continuity and change with the change of the new world order and economic change in South Asia. The South Asian region needs to have steady economic growth of sufficiently high levels, which can promote industrialization and expansion of bilateral trade. India being a dominant power in the South

Asia region particularly SAARC would be required to play a key role in shaping the new world order and promoting political and economic ties with its neighbours.

The rise of China is accompanied by increasing maritime activity that stretches from the nearby sea into the Indian Ocean region. It has the potential to change the status quo in the Indo-Pacific region. Moreover, it ushers in the Chinese Navy as the new dominant player in the security dynamic of this region. The lack of an articulated Chinese maritime policy for the Indian Ocean further accentuates the uncertainty of the intent; behind this activity over derive (Verma, 2018: 113). The Indian Ocean region is diverse with resource-rich emerging markets, trading hubs and varied geopolitical entities. It has the world's largest concentration of hydrocarbon reserves on its west and an industrial powerhouse on its east, thereby becoming a maritime highway that converses at the Malacca Straits, resulting in a confluence of the Indian and Pacific Oceans. Apart tome the economic dimension, Chinese's security concerns dominate its maritime strategy in the Indian Ocean region. Overall, China with its enhanced outreach into the Indian Ocean region has shown its willingness to project power far from its shores and also its capability to protect its interest worldwide (Verma, 2018: 125). China's South Asia policy has two important parameters. First, the development and stability of its territory and embedded in this is the second, the state of its relations with India and their rivalry in Asia. Thus, China's South Asia Policy has both economic and strategic content which plays an important role (Patnayak, 2018: 129). Chinese investment in South Asia and the interest levied on the loans that China has extended to South Asian countries has generated a larger debate about the economic vulnerability of the South Asian countries and their propensity to fall into debt traps. China's South Asia Policy is very much linked to its relations with India. India's economic engagement with its South Asian neighbours are not motivated by strategic objectives however, infrastructure development projects in the Northeast region are likely to pave the way for development and cooperation. India would be a major political factor in shaping the new cultural and economic relationship in South Asian countries besides strengthening its military power.

Normalization of Relations

It's been almost 70 years since the two countries have engaged in war. For more than 30 years, they have agreed to negotiate a border settlement. Nevertheless, all the boundaries from Kashmir to Arunachal Pradesh remain unresolved. When the Indian Prime Minister Rajiv Gandhi visited China in 1988, there were efforts to resolve border disputes. There have been many rounds, but no concrete progress has been made. It is believed that Rajiv Gandhi made a trip to China to bring countries closer. Therefore, the two countries signed various bilateral agreements so that they could reach a fair agreement on the border issue. In 1988, a joint working group was formed. In 1993, Agreement on the Maintenance of Peace and Tranquility along the Line of Actual Control in the India-China Border Areas was signed in Beijing. The two countries also worked for confidence-building measures in 1996. In 2003, special representatives were appointed as a political perspective to explore the structure of a frontier steamer. In 2015, the two countries concluded the Guiding Principles for Strategic and Cooperative Partnership and Settlement of the Boundary Question for Peace and Prosperity and Political Parameters. They agreed to work for the Civil Nuclear Cooperation in 2006 and in 2008 shared the vision for the 21st century. The major problem in the relations between the two countries was the question of Tawang and Arunachal Pradesh. These regions are generally seen by China as a part of the greater Tibetan issue. China to date has not made a successor to the present Dalai Lama, who is operating from outside Tibet. As such, China has already made preparations to pursue the issue

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by claiming Tawang. The 134 km Pangong Se Lake in Eastern Ladakh extends from India to Tibet. Two-thirds of the region is controlled by China. Recently in June 2014, the Chinese again brought a map showing Tawang as a part of Tibet. This situation was maintained in 2015 as well. In the coming years, the Asia-Pacific region will be a major region where great powers will play a more effective role. The time has come to balance the Chinese challenges. It seems that China is not much of a threat but, it is a big challenge.

Therefore, India needs to develop a positive policy on China by having more positive interactions with China. India-China bilateral relations have expanded and diversified over the past decade. During President Xi Jinping's visit to India in September 2014, the two sides redefined bilateral engagement as the Closer Developmental Partnership. Besides, a total of 16 agreements were signed in various fields, including commerce and trade, railways, space cooperation, pharmaceuticals, the establishment of industrial parks and sister-city arrangements. Both sides signed MoU to open the Nathu La route for the Kailash Mansarovar Yatra. Prime Minister Shri Narendra Modi visited China in May 2015 and held meetings with President Xi Jinping and Premier Li Keqiang. During the visit, Prime Minister Shri Modi and Premier Li Keqiang also addressed the inaugural session of the Provincial Leaders' Forum in Beijing. Two agreements were signed on behalf of the government, including 26 MoUs on the business-to-business side and one on climate change. The Prime Minister also announced an e-visa facility for Chinese tourists. President Shri Pranab Mukherjee paid a state visit to China in May 2016. He visited Guangdong and Beijing where he met with the Chinese leadership, and during the visit concluded ten MoUs in the field of education and research. The year 2018 led to an increase in the pace of bilateral relations.

In April 2018, Prime Minister Shri Modi and President Xi organized the first informal summit in Wuhan to exchange views on overlapping issues of bilateral and global importance and elaborated on their vision and priorities for national development. The two leaders agreed to step up efforts to build on convergence through established mechanisms to create the widest possible platform for relations. The talks helped to build a common understanding of the future direction of India-China relations based on judicious management of differences with mutual respect and mutual sensitivity to each other's developmental aspirations. Bilateral relations continued to strengthen and deepen in the year 2019, with the second informal summit between Prime Minister Shri Modi and President Xi held in Chennai on 11–12 October 2019. The second informal summit evaluated the direction of bilateral relations positively and discussed ways to further deepen the India-China bilateral dialogue to reflect the growing role of the two countries on the global stage. The summit recognized that India and China were factors of stability in the current international scenario and that both sides should manage their differences properly and should not allow disputes. The two leaders visited each other's countries to participate in various multilateral summits. Prime Minister Shri Modi visited China in September 2016 to attend the BRICS summit in Hangzhou, and in June 2018 to attend the SCO summit in Qingdao, to attend the G20 summit in Hangzhou in September 2017. President Xi visited India in October 2016 to attend the BRICS summit in Goa. In the year 2019, apart from the second informal summit in Chennai, Prime Minister Shri Modi and President Xi also met on 13 June 2019 at the SCO Leaders Summit in Bishkek, their first meeting after re-election. Prime Minister Shri Modi, as at the 14th G20 Summit in Osaka on 30 June 2019 and the 11th BRICS Summit in Brasilia on 13 November 2019.

India and China have established more than thirty dialogue mechanisms at various levels covering dialogue on bilateral political, economic, cultural, people-to-people, consular matters as well as regional and global issues. Foreign Ministers meet regularly, which includes multilateral events. Foreign Minister Wang Yi visited Delhi in the capacity of Special Envoy of the President in June 2014, when he called up PM Shri Modi and held bilateral discussions with EAM. He visited Goa and Delhi in August 2016, where he held separate meetings with the Chief Minister and the Governor of Goa, EAM and also called the Prime Minister. He also attended the RIC Foreign Ministers' meeting in New Delhi in December 2017. During this visit, he also called the Honorable President and held bilateral meetings with EAM and NSA. Foreign Minister Wang Yi again led a multi-ministry delegation to the inaugural meeting of the High-Level Mechanism (HLM) on Cultural and People-to-People Exchanges, an important outcome of the Wuhan summit on 21–24 December 2018. During the visit, he held meetings with the NSA and the Chief Minister of Maharashtra. Sushma Swaraj visited Beijing in February 2015 for the Russia-India-China (RIC) Foreign Ministers' Meeting. In April 2018, the Foreign Minister visited Beijing for the SCO Council of Foreign Ministers, when he also called Vice President Wang Qishan and attended the RIC Foreign Ministers Meeting in Wujun in February 2019. He also held bilateral meetings with Foreign Minister Wang Yi during these visits. Dr S. Jaishankar made an official visit to China from 11 to 13 August 2019, during which he held a bilateral meeting and co-chaired the second meeting of the India-China High-Level Mechanism (HLM) on Cultural and People-to-People Exchanges with Chinese Foreign Minister Mr Wang Yi in Beijing. Five MoUs on cooperation in the fields of sports, culture, museums and traditional medicine were signed, as well as exchanges between two foreign ministries during the visit. During the visit, EAM also met the Vice President of China, Mr Wang Qishan. Recently, the two Foreign Ministers met on 10 September 2020 in Moscow for the SCO Foreign Ministers' Meeting. 2020 marks the 70th anniversary of the establishment of diplomatic relations between China and India. To celebrate the milestone, Indian Prime Minister Shri Narendra Modi and Chinese President Xi Jinping named 2020 as "India-China Cultural and People-to-People Year" and to mark the milestone 70 Planned to organize activities. Both sides intended to deepen exchanges between their legislators, political parties, cultural and youth organizations, and military forces at all levels.

India has called for a collaborative approach by reaching out to the South Asian Association for Regional Cooperation (SAARC), including Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka, to tackle the virus spreading in South Asia. To that end, New Delhi has established a COVID -19 pandemic fund with an initial amount of US \$ 10 million. India has also participated in a virtual meeting of the G20 in March, during which Shri Modi called for promoting new crisis management protocols and processes for a mutually global village. He also emphasized the importance of strengthening and improving organizations such as WHO. India lifted its export restrictions on drugs such as hydroxychloroquine and paracetamol to supply to countries such as the US. It also sent such medicines to SAARC countries and Mauritius and Seychelles and provided medical aid to countries in the Caribbean and other countries in Latin America.

China has also loaned 1 billion dollars to Sri Lanka as a part of her 'debt-trap diplomacy' (Ferchen and Perera, 2019). These actions show how China is appealing to India's neighbours to put pressure on the Indian government. There is optimism that India can use coercive diplomacy to reach a solution where it is defensive and yet reaches its desired outcome. The border crisis between the two countries is a very serious issue and is being followed around

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the world. While China has improved its geopolitical relevance in South Asia, India has developed new diplomatic relations around the world as a result of tensions. India has been invited as a 'guest country' for the G-7 summit of which China is not a member. It is hoped that an agreement between India and China can be reached diplomatically and such border disputes will not exist in the future. An important development in Asian power-politics was the change of governance in China and India in 2013 and 2014, respectively. Since assuming power, the Indian Prime Minister, Shri Narendra Modi, has shown his interest in improving relations in the South Asian region in particular and the world in general. In India, the opening of the Lhasa to Golmund Railway in summer 2006 was seen by experts in India as China's major development since the 1950s. This shifts the military balance in favour of China and enables greater and quicker feeder facilities for China's military supplies, garages and airspace (Borach, 2006). Furthermore, the Himalayas pose no significant impediment to military operations from the Chinese held position in the Tibetan Plateau to hold such a beneficial location with the high mountains of India, especially in the missile era, and with China in the Tibetan Plateau. . Historically, it would be prudent to consider that Tibet was originally part of the larger game and was recognized in 1946 by British strategies as a powerful basis for air power (Boobst, 2005). This was proved right when China invaded India in 1962 and attacked India. So far, military relations between them have not improved. In order to play a major role in regional and global politics, China emphasizes the modernization of its military weapons. China has increased its defence budget but the actual figure of the budget is secret. It is also clear that the People's Liberation Army (PLA), comprising 2.25 million soldiers, has to prevent the United States from intervening in Taiwan and the South China Sea.

India- China Trade

India – China trade grew significantly during the 1990s, increasing from \$107.9 million in 1988 to cross the \$1 billion mark in 1995. Furthermore, from a relatively low base of \$2.3 billion in 2000–2001 bilateral trade hugely increased to \$71 billion in 2015–2016, with Modi seeking stronger trade and investment links with China. This includes the growth of over two-and-a-half times in the last ten years alone, with China being India's largest trading partner since 2011–2012 (with the single exception of 2012–2013). In contrast, India-U.S. bilateral trade in 2015–2016 was \$62 billion. Although an India–China joint communiqué in 2010 had set a target of \$100 billion in bilateral trade by 2015, this was far too ambitious in the wake of the global financial crisis. However, India was only the ninth largest export market for China in 2015–2016. Despite the stability which the economic relationship provided concerning the interactions between the major powers, there remains a growing concern in India over its massive trade deficit with China of more than \$50 billion, alongside non-tariff barriers on Indian goods and services. A massive 16% of India's imports take place from China.

The bilateral trade between India and China has grown manifold in the past decades. However, the trade has been tilted more in favour of China. India had an unfavourable trade balance with China. China is India's 4th largest export destination. After the United States, China has become India's second-largest trading partner. China is the biggest source (14 percent) of India's imports, as well as the destination for 5.4 percent of its exports. Less than 1 percent of China's imports come from India, but 3.1 percent of its exports go to India. The volume of trade has increased considerably over the past two decades. In 2000, trade volume between the two countries stood at \$3 billion. In 2008, bilateral trade reached \$51.8 billion; after another eight years, in 2016, Sino-Indian bilateral trade amounted to \$71.8 billion. India's trade deficit with China has increased by more than 200 percent from \$16 billion in 2007-2008 to \$51 billion in

2016-2017. In 2018 India's deficit expanded to \$57.86 billion. The deficit accounted for an estimated 58 to 60 percent of India's total bilateral trade. A decline in imports from China caused the deficit to fall to \$48.66 billion in 2019-20. The rapid expansion of India-China bilateral trade since the beginning of this century propelled China to emerge as our largest goods trading partner by 2008, a position which China continues to hold today. Since the beginning of the current decade, bilateral trade between the two countries recorded exponential growth. In 2017 and 2018, the bilateral trade has registered robust two-digit growth. In the year 2019, India was the 12th largest trade partner of China. The total bilateral trade registered a reduction of 2.93 percent year on year to reach US \$ 92.89 billion. India's exports to China decreased by 4.55 percent to US \$17.97 billion, and India's imports from China also witnessed a drop by 2.54 percent to US \$ 74.92 billion. Due to the impact of COVID in 2020, the overall trade with China saw a reduction of 13.1 percent in Jan-Sept 2020 (US \$ 60.5 billion) as compared to the same period in 2019 (US \$ 69.7 billion). The trade between India and China witnessed a tremendous increase from US \$ 2.71 billion in 2001 to around US \$ 70 billion in 2016. Importantly the majority of the trade remained in favour of China. India's trade with China has witnessed compound growth of 20.39 percent per annum from 2001 to 2019. However, growth in India's imports from China (21.74 percent) has shown higher than the growth of India's exports to China (17.08 percent) during the corresponding period (Table 1).

**Table 1: India China Trade
(US\$ Billions)**

Year	India's Imports from China	India' Export to China	Total Trade	Trade Balance	Export as Percentage of Total Trade	Import as Percentage of Total Trade
2001	1.83	0.92	2.75	0.91	33.45	66.55
2002	2.62	1.53	4.15	1.09	36.87	63.13
2003	3.62	2.27	5.89	1.35	38.54	61.46
2004	6.05	4.1	10.15	1.95	40.39	59.61
2005	10.17	7.18	17.35	2.99	41.38	58.62
2006	15.64	7.83	23.47	7.81	33.36	66.64
2007	24.58	9.49	34.07	15.09	27.85	72.15
2008	31.59	10.09	41.68	21.5	24.21	75.79
2009	30.61	10.37	40.98	20.24	25.31	74.69
2010	41.25	17.14	58.39	24.11	29.35	70.65

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2011	55.48	16.72	72.2	38.76	23.16	76.84
2012	54.14	14.73	68.87	39.41	21.39	78.61
2013	51.64	16.43	68.07	35.21	24.14	75.86
2014	58.23	13.48	71.71	44.75	18.80	81.20
2015	58.26	13.4	71.66	44.86	18.70	81.30
2016	59.43	11.75	71.18	47.68	16.51	83.49
2017	58.1	16.34	84.44	41.76	19.35	68.81
2018	76.87	18.83	86.7	58.04	21.72	88.66
2019	74.92	17.97	92.9	56.95	19.34	80.65
2020	45.18	15.32	60.51	29.86	25.32	74.67

Source: PHD Research Bureau , New Delhi and Embassy of India , Beijing, China

The growth of trade deficit with China could be attributed to two factors: the narrow basket of commodities, mostly primary, that we export to China and market access impediments for most of our agricultural products and the sectors where we are competitive, such as pharmaceuticals, IT/ITTEs, etc. Our pre-dominant exports have consisted of cotton, copper and diamonds/ natural gems. Over time, these raw material-based commodities have been overshadowed by Chinese exports of machinery, power-related equipment, telecom, organic chemicals, and fertilizers. Over the years, products from China have deeply penetrated the Indian markets. As indicated from the chart above, China's import penetration in India increased from 1.9 percent in 2007 to 2.6 percent in 2016. Although the trend has witnessed a decline in recent years due to various developments in trade relations, it will take India nearly a decade to have a comfortable trade balance scenario with China. On the other hand, India's import penetration rate in China's market has remained abysmally low and has fallen to a new low in recent years. India's import penetration rate in China fell from 0.44 percent in 2007 to 0.11 percent in 2016

Conclusion

There has been paradigm shifts in India- China relations during the last decades, from bolder conflict and tense political relations to normalization and bilateral economic cooperation. The normalization process in political relations has paved the way for cultural ties and economic cooperation. The new world order emerged from the collapse of superpowers, the emergence of a unipolar world, increased recognition of India in shaping the new world order as well as India's role in the management of the COVID -19 pandemic has forced us to rethink the guiding principles of India's foreign policy to improve the political, economic and cultural relation with China. China has also shown her interest in promoting economic cooperation, trade and cultural ties with India despite unresolved border problem and strategic ambitions. There is an imperative need to maintain peace and tranquillity on the borders, continue to normalization of relations for

promoting trade and commerce and encouraging regional associations for bilateral economic cooperation.

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