

**China's Foreign Policy Trends Towards India, Late 20th – Early 21st Century
(Economic Aspect)**

[1], [2]Md. Sayedur Rahman

[1]Assistant Professor, Department of Political Science, Faculty of Social Sciences,
Begum Rokeya University, Rangpur, Bangladesh[2]Masters Student, Master's Programme in Socioeconomic and Political
Development of Modern Asia, Faculty of World Economy and International
Affairs, National Research University Higher School of Economics,
Moscow, Russian Federation

Abstract. Foreign trade and economic policy have become one of the most important strategies to promote commerce and investment activities and promote socio-economic and political relationships in the ever-competitive global arena. Bilateral and multilateral business treaties and free economic zone among states are very common fashion for the purpose throughout the world. Two economic powerhouses of Asia, China and India, are not lagging behind the trade and applying various strategies to improve trade relations and bring socio-economic and political development most in recent decades. The main purpose of the study is to analyze the initiatives and policies the countries pursue to smooth and promote trade relations. The study is based on basically secondary sources of data and information which includes scientific and academic journals, scholars, articles, research papers, books and other relevant sources pertaining to the subject. The study recommended a wide range of factors including bilateral treaties, free economic zones, joint ventures, settling border disputes, improving microeconomic policy, reducing bureaucracy and corruption, pursuing competitive advantage policy and working jointly to solve regional and global problems to promote Sino-Indian trade relation.

Key Words: China, India, Foreign Policy, Trade and Economic, Diplomatic, International Relation

Introduction

China and India are both of the world's oldest civilizations and have co-existed peace most of the amount for millennia. China-India relations, also called Sino-Indian relations to visit the bilateral relationship between China and India. Though the connection has been cordial, the border disputes, geopolitical hegemony and economic competition between the two countries that has occasionally led to strained relations. The fashionable relationship began in 1950 that was when India was among the primary countries to finish formal ties with Taiwan and recognize Taiwan because of the legitimate government of Asian countries. China and India are the 2 most populous countries and emerging growing economies within the world. Improvement of diplomatic and economic relationships has been increased the importance of their bilateral relationship. During the Second World War British, both China and India played a very important role in halting the progress of Imperial Japan (Williams, 2004). The relation between China and India has been characterized by border disputes, leading to three military conflicts — the Sino-Indian War in 1962, the Chola incident in 1967, and therefore the Sino-Indian skirmish dispute in 1987. The countries clashed at the Doklam plateau along the disputed Sino-Bhutanese border in early 2017 (Joshi, 2017). Though, since the late 1980s, two nations have successfully rebuilt diplomatic and economic ties. Meanwhile, China became India's largest trading partner and therefore the 2 countries have also extended their strategic and military relations (Lancaster, 2005). Another area of mutual interest on which China and India are cooperating recently except trade and commerce. In line with Karim Laskar, a scholar of Indian policy, "at present, both nations are cooperating on a variety of international issues

like trade, temperature change and reform of the worldwide financial order, among others to market common interest" (Laskar, 2013). In spite of growing economic and strategic ties, there are several hurdles for India and China to beat. India faces trade imbalance heavily in some opt to China. Two nations still didn't resolve the border dispute and Indian media outlets have repeatedly reported Chinese military incursions into Indian borders. Both nations have steadily established military infrastructure along the borders. Also, India remains wary about strong strategic bilateral relations of China with their rival Pakistan, and recently with the Democratic Socialist Republic of Sri Lanka and boarding Nepal, whereas China has expressed concerns about Indian military and economic activities within the disputed South China Sea. In 2012, China stated its position that Sino-Indian ties could also be the foremost important bilateral partnership for the century". Within the same month, the Premiers of China and India set a goal to extend bilateral trade between the 2 countries to US\$100 billion by 2015. Within the FY 2017-18, bilateral trade between the countries touched \$89.6 billion, with the deficit widening to US\$62.9 billion in China's favor. The degree reached \$84.5 billion in the subsequent FY (The Economic Times, 2018). The figure does not include bilateral trade between India and port which stands at another US\$34 billion (Dawra, 2018). In line with BBC news World Service Poll in 2014, 23% of Indians view China positively and 47% expressing a negative view, while 27% of Chinese people view India positively, with 35% expressing a negative view. Another survey conducted by the Pew Centre in 2014, showed that 72% of Indians were concerned that territorial disputes between China and neighboring countries may lead to a military conflict. Xi Jinping, the President of China, was one amongst the highest world leaders to go to New Delhi after Narendra Modi took over as Prime Minister of India in 2014. India's insistence to boost the South China Sea in various multilateral forums subsequently didn't help that beginning another time and therefore the relationship facing suspicion from Indian administration and media alike (Goswami, 2015).

Here, China has a lot of strategic interest in the engagement with India e.g. economic, diplomatic, strategic, security, and defense as well as environment and climate interests.

This study is designed to focus on China's foreign policy trends towards India. It aims to explore the economic and strategic interests of China's foreign policy trends towards India. The purpose of this study is to search for the factors responsible for and the nature of China's foreign policy trends towards India.

Objectives of the Study

The objectives of this research are to study and explore the China's foreign policy trends towards India in socio-economic and political spheres. A solid understanding of these issues will provide a foundation to grasp the main objectives of this study. Taking into account the above objectives, the following tasks will be solved in the research process:

- To examine the current Chinese foreign policy toward India.
- To analyze the important and impacts of the policy in socio-economic and political spheres of the countries.
- To discover the major barriers which hinder Sino-Indian relations.
- To identify priority areas for the development of Sino-Indian relations.
- To recommend the most effective ways to improve the relations.

The object of the study is the development of Sino-Indian relationship in socio-economic and political spheres.

Literature Review

There is no dearth of literature on Chinese foreign policy up to the last decade of the twentieth century. There are also works on China's foreign policy in general. Those works have dealt with the domestic and external determinants of foreign policy making and the Chinese

foreign policy behavior vis-a-vis her counter parts. For instance, Zhu (2011) discussed what makes Sino-Indian relations so complex and difficult? This paper examines major recent developments in Sino-Indian relations and explores ways to further promote bilateral ties. The study suggests that despite impressive progress in their relations, the 2 countries still suffer from a deep-rooted trust deficit and to deracinate the deficit the 2 countries have to translate their commitments into actions. We are able to draw some points from these articles which are relevant to our study. But the author didn't detail or clear discuss the foremost effective ways to boost trade and economic relations.

Wang (2004) provides a Chinese perspective on the role of the People's Republic of China in Asia and its strategy toward its Asian neighbors. The study suggests the three features of China's relations with other Asian powers. But the author didn't take into explaining the foremost effective ways to boost Sino-Indian relations. The author didn't identify priority areas for the event of Sino-Indian relations.

Ratha and Mahapatra (2005) discussed India-China bilateral relations in socio-economic and political spheres. The study suggests that to strengthen the bottom of trade and economic relations what's needed for both nations to be partners rather than rivals. Both countries need to strengthen communication through dialogue and consultation. But the author didn't identify priority areas for the event of Sino-Indian relations. The author didn't discuss the foremost effective ways to boost trade and economic relations. There's no discussion about the most important problems in China-India trade and economic relations.

The study conducted by Mohanty (2014) examines presents some broad macroeconomic developments both in India and China while a national trading policy review of China within the context of India's economic interest is discussed. The study suggests that both countries can play a constructive role within the regional integration process in East Asia. But the author didn't discuss the most important barriers in China-India trade and economic relations. The author didn't consider the foremost effective ways to enhance relations.

A study conducted by Li (2010) examines the premise for China-India cooperation and analyses the frictions which exist between the 2 countries. The assessment is the foremost helpful in understanding the rationales, dynamics, constraints, challenges, and future trajectory strategic engagement between China and India. The study suggests that there comes a pressing necessity to breathe more substance into the present framework of Sino-Indian strategic partnership. But the author didn't take into consideration the foremost effective ways to enhance trade and economic relations. The author didn't identify priority areas for the event of Sino-Indian relations.

Konwer (2011) focuses on the complex and competitive relations between India and China. The study suggests that thus, as long as India continues to support the lama and therefore the reason behind autonomous Tibet, China to be likely to stay the difficulty of the border dispute and claims over Arunachal Pradesh on the boil; till then the hunt for long-term durable partnership between the 2 countries will remain an illusion. But the author didn't discuss the trends of China-India trade and economic relations.

Raman (2011) discussed the deals with the question of why India should be taken seriously by the Chinese foreign policymakers so as to market China's own national interests. The author also analyzes the growing economic prowess of India. The study suggests that China and India are emerging as two major non-Western powers within the 21st century. Both must take a heavy take a look at the way they perceive one another and reshape their foreign policies accordingly. But the author didn't detail or clear narrate major problems in China-India trade and economic relations.

Brown (2017) considered evolution of China's policy Posture, three Grand Narratives within the Era of Xi Jinping, U.S.-China relations; EU-China relations; Belt and Road Initiative (BRI), Changes in China's Global Image and challenges that have emerged for China within

the past five years which can remain salient within the future. The study suggests that apparently, the best challenge since 2013 is to clear off ambiguity both inside and out of doors China about what its real intentions may well be, and the way it enjoys and develops the new space opening up around it. But the author failed to detail or clearly explain the foremost effective ways to boost the Sino-Indian relations.

Pillania (2010) analyzed the Indo-China trade with attention on the recent past and explored the potential for the longer term, the recent performance of Indian and Chinese economies, the recent trends in Indo-China Trade, analyses the Composition of Indo-China trade and way forward for Indo-China trade. The study suggests that because of the big size of economies and composition of economies and exports in addition to high growth rates and political will from either side, the bilateral trade will grow further and would have a major impact on global trade and economy. But the author didn't discuss the foremost barriers in China-India trade and economic relations. The author didn't explain the foremost effective thanks to improving trade and economic relations.

Bhattacharya and Bhattacharyay (2006) present the recent trends within the PRC-India trade and examines empirically the likely impact of their preferential and trade agreements using the Gravity Model under different comparative-static scenarios. The study suggests that future research should try and estimate the trade potentials of those two countries by estimating the stochastic frontier production function using the Gravity Model. But the author failed to narrate major problems in China-India trade and economic relations. The author did not take into discussing the foremost effective ways to enhance trade and economic relations.

Many books and articles have been written on China's foreign policy toward India. Furthermore, many of them have been tried to explain it's from a view of a political perspective. Some of them have even explained it economically. Analyzing these published resources, I realize that these researches discussed the areas partially; I want to explore how internal determinants are playing a vital role in making her foreign policy toward India.

Methodology of the Research

This research work is conducted using qualitative and quantitative research methods. The quantitative data is collected by using a nanostructured and open-ended questionnaire survey. It involves the use of primary and secondary sources like books, journals, magazines, archival materials, official documents, letters, and materials like these to make in-depth analysis, interpretation, and re-interpretation, and describe and explain the issue at hand of this proposed study. Since it is proposed here for an interpretative and analytical study of the determinants, nature, and significance of China's foreign policy trends towards India, the qualitative method is considered the most appropriate one for this study. Some rudimentary aspects of the quantitative tools, like trade data, are conducted using in this study. The proposed research is conducted descriptive and exploratory in nature.

Recent Trends of China-India Trade and Economic Relations

The relationship between China and India has been developing at an amazing pace. China and India now represent Asia's two largest and most dynamic economies which are emerging as new trendsetters in mediation. The history of bilateral relations between China & India dates back to the mid-1980s (Singh, 2014). India and China entered into a Trade Agreement, which provided them with the status of Most Favored Nation (MFN) in 1984. The nations got involved during a full-fledged bilateral trade relation in 1992. The start of a brand new era in India-China economic relations was marked in 1994. India and China entered into an agreement to initiate open border trade via the Silk Route. China and India even have shown interest to require part during a multilateral trade system as per the WTO commitments. China has already been the highest trading partner of India in recent times. The two nations' economic

relationship is taken into account to be one in every of the foremost significant bilateral relations within the contemporary global economic scenario and this trend is predicted to continue within the years to come back. As of today, China is India's largest trading partner while India is within the highest ten of China's trading partners (PHD Bureau, 2018).

Bilateral Trade: Dynamics and Direction

The bilateral trade between China and India has reached the maximum amount as four-fold within the past decade but the trade was tilted more in favor of China. With China, India had an unfavorable balance of trade. When China continues to enjoy a large favorable balance of trade vis-à-vis most other countries of the South Asian region, it's only the China-India trade that has remained to be China's most balanced exchange South Asia. However, both China and India are growing in no time and may propel the long run world economy with a pool of the world's largest skilled workforce (PHD Bureau, 2018).

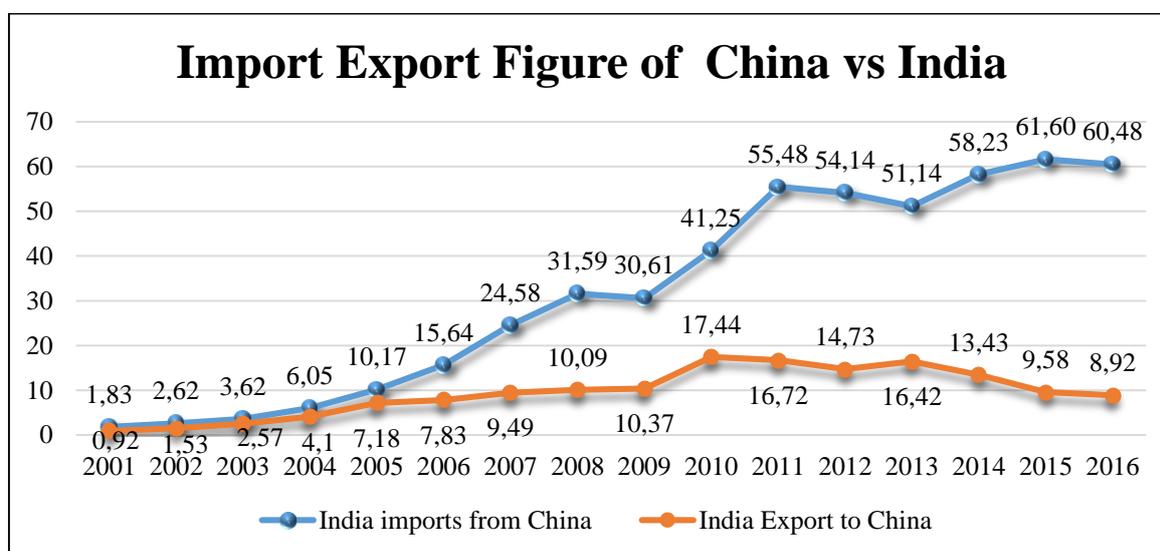


Figure 1. India-China Trade at a Glance (USD Billion)

Source: PHD Research Bureau, Compiled from Trade Map Database, 2018

China is India's 4th biggest export destination whereas the most important import source at the moment. The trade figures between the nations witnessed an incredible jump from \$ 2.71 billion in 2001 to around \$70 billion in 2016. However, the bulk of the trade remained in favor of China because it exported around 60.48 billion and imported 9 billion during 2016. The share of China of India's total trade stood at around 11% during 2016. Moreover, the share in India's total exports stood at 3.7% while its share in India's overall imports stood at 16% during 2016. The expansion of India's imports from China was laggard with relation to exports relatively. The deficit gap for India exponentially widened over time (PHD Bureau, 2018).

Table 1. India – China Trade Statistics

	2001	2006	2011	2016
Imports of India from China (Billion USD)	1.83	15.64	55.48	60.48
CAGR (%)	-	53.6%	28.8%	1.7%
India's total imports Share	3.6%	8.8%	12.0%	17.0%
Exports of India to China (Billion USD)	0.92	7.83	16.72	8.92
CAGR (%)	-	53.4%	16.4%	-11.8%
China's total imports share	0.4%	1.0%	1.0%	0.6%

Source: PHD Research Bureau, Compiled from Trade Map Database, 2018

In spite of the rising presence of Chinese products in India, the breakdown of the Sino-Indian trade era into four periods reveals a distinct story. The expansion rate of imports to India from China was 53.6% during the years 2001-06, which reduced to twenty-eight.8% during the years 2006-11 and further diminished to 1.7% during the years 2011-16. Though the trend in exports of India to China also remained lackluster during the identical period, with the expansion rate in exports to China stepping into the negative trajectory of -11.8% during the years 2011-16. Share of India to China's imports stood at a menial 0.6% during 2016 revealing an insignificant presence of Indian products in Chinese markets (PHD Bureau, 2018).

Table 2. Sino-Indian Trade at a Glance (between April and October 2017)

Million (USD)	Apr-2017	May-2017	Jun-2017	Jul-2017	Aug-2017	Sep-2017	Oct-2017
Exports of India to China	978.46	751.37	754.56	793.64	908.29	1036.95	1224.6
Year on year growth	40.08%	3.69%	20.85%	31.85%	60.08%	38.21%	72.13%
Imports of India from China	5904.12	5942.42	6237.88	6026.38	6489.53	6939.07	5907.76
Year on Year Growth	64.75%	28.80%	16.67%	19.46%	20.55%	29.72%	4.22%

Source: PHD Research Bureau, Compiled from Ministry of Commerce and Industry, 2018

In April October 2017 export growth of India to China witnessed a surge from 40% in April 2017 to 72.13% in October 2017 while import growth of India from China shrunk from 64.7% to 4.22% during the same period the previous year.

Table 3. Top 10 import items of India from China

HS code	Product label	Exports of India to China (Billion USD)				Share in 2016 (In %)	CAGR 2011-2016 (In %)
		2001	2006	2011	2016		
85	Electrical machinery and equipment, parts thereof; sound recorders & reproducers, television	0.21	3.77	13.24	20.87	34.5%	9.5%
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	0.22	3.09	9.79	10.73	17.7%	1.8%
29	Organic Chemical	0.29	1.62	4.08	5.59	9.2%	6.5%
39	Plastics and articles thereof	0.02	0.32	1.21	1.84	3.0%	8.7%
89	Ships, boats and floating structures	0.00	0.09	1.44	1.78	2.9	4.4%
72	Iron and steel	0.01	0.50	1.99	1.65	2.7%	-3.7%
31	Fertilizers	0.1	0.10	2.73	1.54	2.5%	-10.8%
90	Optical, photographic, cinematographic, measuring, checking,	0.04	0.18	0.92	1.31	2.2%	7.3%

	precision, medical or surgical						
73	Articles of iron or steel	0.01	0.78	1.45	1.20	2.0%	-3.7%
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	0.01	0.19	1.01	1.14	1.9%	2.5%
Total value of top 10 import items		0.82	10.64	37.86	47.64	78.8%	4.7%
Rest of the products		1.01	5.00	17.62	12.84	21.2%	-6.1%
Indian total imports from China		1.83	15.64	55.48	60.48	100.0%	1.7%

Source: PHD Research Bureau, Compiled from Trade Map Database, 2018

Top 10 import products of India from China comprise 79% of the general imports from China. Most of the share is held by Electrical equipment (HS-85) at 34.5%, followed by Mechanical appliances (17.7%) furthermore as Organic Chemicals (9.2%) among others. Noticeably, the highest 10 importable products from China witnessed a positive rise of 4.7% during the years 2011-16, while the remainder of the products witnessed a fall of -6.1% during the identical period. Electrical products (HS 85) grew by 9.5% followed by plastic products (HS 39) at 8.7% and Optical, photographic and other medical devices (HS 90) at 7.3% during the identical period among the popular import items (PHD Bureau, 2018).

Table 4. India's top ten export items to China

HS code	Product label	Exports of India to China (Billion USD)				Share in 2016 (In %)	CAGR 2011-2016 (In %)
		2001	2006	2011	2016		
52	Cotton	0.07	0.70	2.80	1.26	14.2%	-14%
26	Ores, slag & ash	0.25	3.61	4.30	1.17	13.1%	-23.0%
29	Organic chemicals	0.10	0.52	0.86	0.79	8.8%	-1.8%
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances	0.00	0.06	1.62	0.70	7.9%	-15.4%
74	Copper & articles thereof	0.00	0.40	1.87	0.64	7.2%	-19.3%
25	Salt; sulphur; earths and stone; plastering materials, lime and cement	0.05	0.15	0.47	0.51	5.7%	1.5%
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	0.01	0.18	0.37	0.47	5.2%	4.5%
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	0.01	0.07	0.33	0.39	4.4%	3.6%
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal	0.00	0.05	0.30	0.27	3.0%	-2.1%
39	Plastics and articles thereof	0.11	0.40	0.62	0.27	3.0%	-15.4%
Total value of top 10 import items		0.62	6.15	13.54	6.46	72.5%	-13.8%

Rest of the products	0.30	1.68	3.18	2.46	27.5%	-5.0%
Total exports to China	0.92	7.83	16.72	8.92	100.0%	-11.8%

Source: PHD Research Bureau, Compiled from Trade Map Database, 2018

Top 10 export items of India to China comprise 73% of the general exports to China. Most of the share is held by Cotton (HS 52) at 14.2%; followed by Ores, Slag and ash (HS 26) at 13.1% and Organic Chemicals (HS 29) at 8.8% together with others.

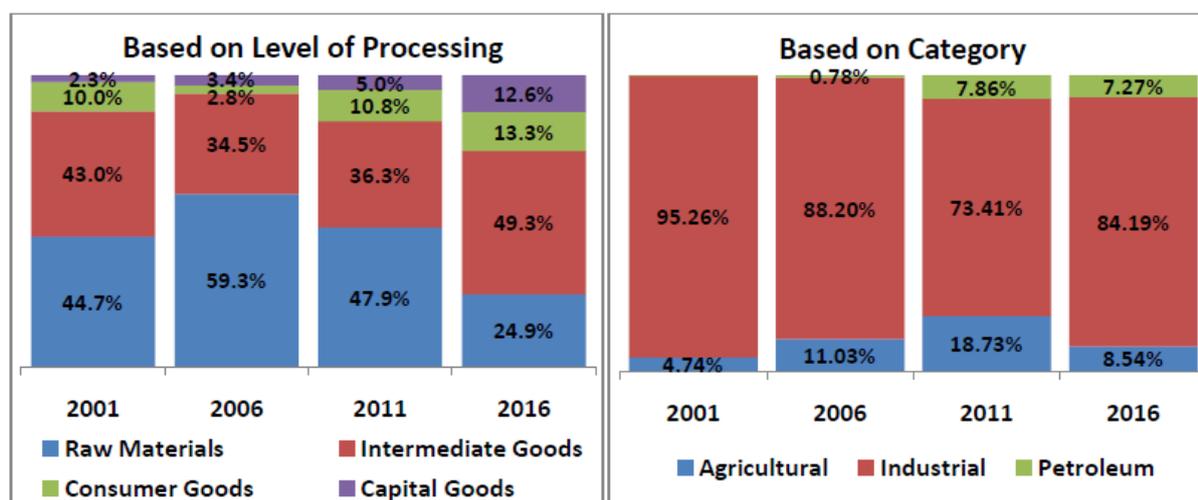


Figure 2. Exports of India to China

Source: PHD Research Bureau, Compiled from World Integrated Trade Database, 2018

On contrary to the increase in imports of the highest 10 products from China, the expansion rate of top 10 export items of India to China fell by a drastic -13.8% during the years 2011-16. The exportable products that witnessed majority of the autumn are Ores, slag and ash (HS 26) by -23%, followed by Copper (HS 74) by -19.3%, Plastic products (HS 39) and mineral fuels (HS 27) by 15.4% each and cotton (HS 52) by -14.7% among other during the identical period. Machinery & Mechanical appliances witnessed the very best positive growth of 4.5% among the highest ten exportable products to China during 2011-2016.

On the idea of the extent of processing, exports of India to China shifted from Raw materials to Intermediate goods over the last decade. Almost a half (60%) of the exports to China was focused on Raw materials in 2006. During 2016 however, the share of raw materials fell to 25%, which compensated for the increase within the share of intermediate goods from 34.5% in 2006 to 50% in 2016. On the idea of the category front, the economic export share of India to China fell from 95% to 84% during 2001-16. This was compensated with the increase within the share of Petroleum products and Agricultural products. India's petroleum exports to China from India grew by 7 percentage points during 2001-16 (PHD Bureau, 2018).

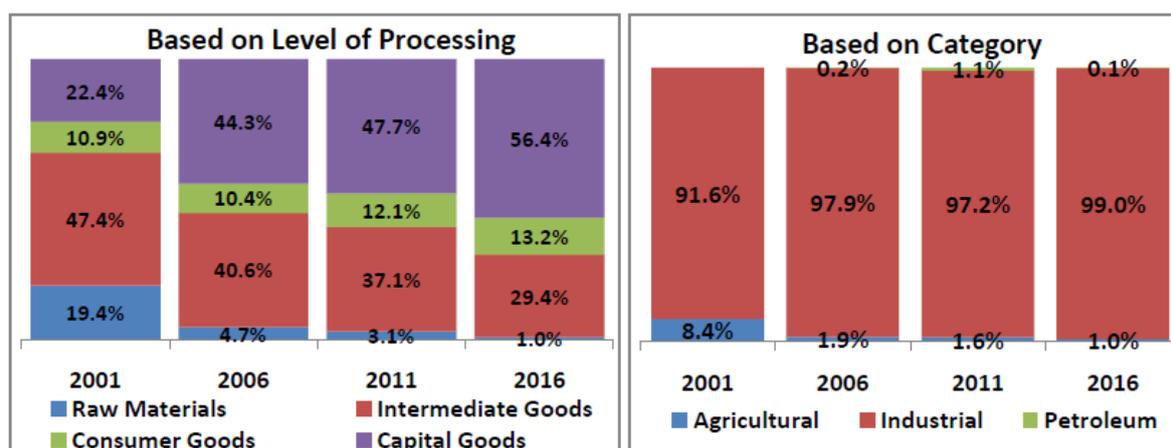


Figure 3. Imports of India from China

Source: PHD Research Bureau, Compiled from World Integrated Trade Database, 2018

On the idea of the extent of processing, India's import pattern from China witnessed a dramatic shift. In 2016 the share of Capital goods grew from 22.4% in 2001 to 56.4%. This significant rise within the share of capital goods was compensated for the loss within the share of intermediate goods & raw materials. India's import share of intermediate goods from China fell from 47.4% to 29.4%, when the share of raw materials fell from 20% to fifteen during the identical period. On the idea of the category, around 99% of the imports by India from China are industrial products and merely 1% is agriculture products indicating the next level of reliance on industrial products from China. just in case of total import it's been analyzed that around 70% of the imports from China including electrical equipment, sound recorders and parts thereof; mechanical appliances and parts thereof; optical and photographic instruments and parts thereof and other items are of experience nature, viz. majorly comprise of one-time use. Around 150 products in India have mandatory technical standards when developed countries have such standards for many of their product ranges.

The Bureau of Indian Standards has laid down 18,000 standards, but they're all voluntary. This provides easy passage of low-quality Chinese products to Indian markets in spite of imposing anti-dumping duties and countervailing duties. The worth of low-quality Chinese products is so low that despite imposing anti-dumping duties and countervailing duties, the unit price remains under Indian products (PHD Bureau, 2018).

Bilateral Trade Analysis: Intensive and Extensive

An intensive-cum-secondary trade analysis has been conducted so as to assemble comprehensive and in-depth information and pattern between India and China.

Trade dependence index. The dependence trade index is a measure of the importance of international trade in the overall economy. The trade index gives an indication of the degree to which an economy is open to trade. It's determined by a large number of factors, most importantly by trade restrictions like tariffs, nontariff barriers, foreign exchange regimes, non-trade policies and the structure of national economies (PHD Bureau, 2018).

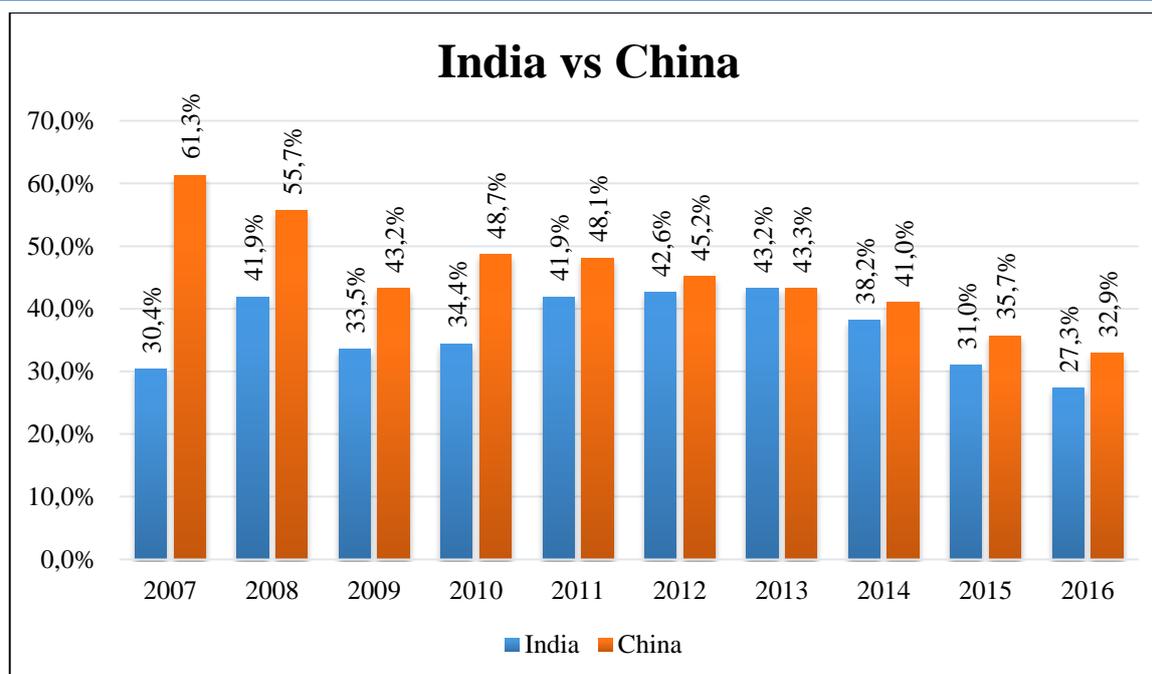


Figure 4. Trade to GDP ratio

Source: PHD Research Bureau, Compiled from World Bank Database and Trade Map Database, 2018

India's dependence on trade has fallen from 43% in 2013 to 27% in 2016 indicating higher inclusiveness in Gross Domestic Products and relatively lower susceptibility to external shocks and volatility, *ceteris paribus*. Conversely, China's dependence on trade has dramatically and drastically declined from 61% in 2007 to 33% in 2016. In spite of both the countries' stronger footprint in the global ecosystem as far as products are concerned, their trade to GDP ratio remained in a comfortable position in recent years.

Import penetration rate. The penetration rate consequential shows to what degree domestic demand (the difference between GDP and net exports) is satisfied by imports. The factor is additionally called a self-sufficiency ratio. The index may be used because the basis of specific policy objectives targeting self-sufficiency. It can provide a sign of the degree of vulnerability to certain forms of external shocks (PHD Bureau, 2018).

Products from China have deeply penetrated into the Indian markets over the years. As shown within the figure the import penetration of China to India increased from 1.9% in 2007 to 2.6% in 2016. Although the trend has witnessed a decline in recent years thanks to various developments in trade relations, it'll take India nearly a decade to own a snug trade gap scenario with China. On the contrary the import penetration rate India to China's market has remained abysmally low and has fallen to a brand new low in recent years. India's import penetration rate in China fell from 0.44% in 2007 to 0.11% in 2016.

Trade intensity index. Trade Intensity Index could be a uniform export share which describes whether a rustic export more or less to a destination than that of the globe does on the average. Trade Intensity Index value greater than 1 indicates an intense trade relationship.

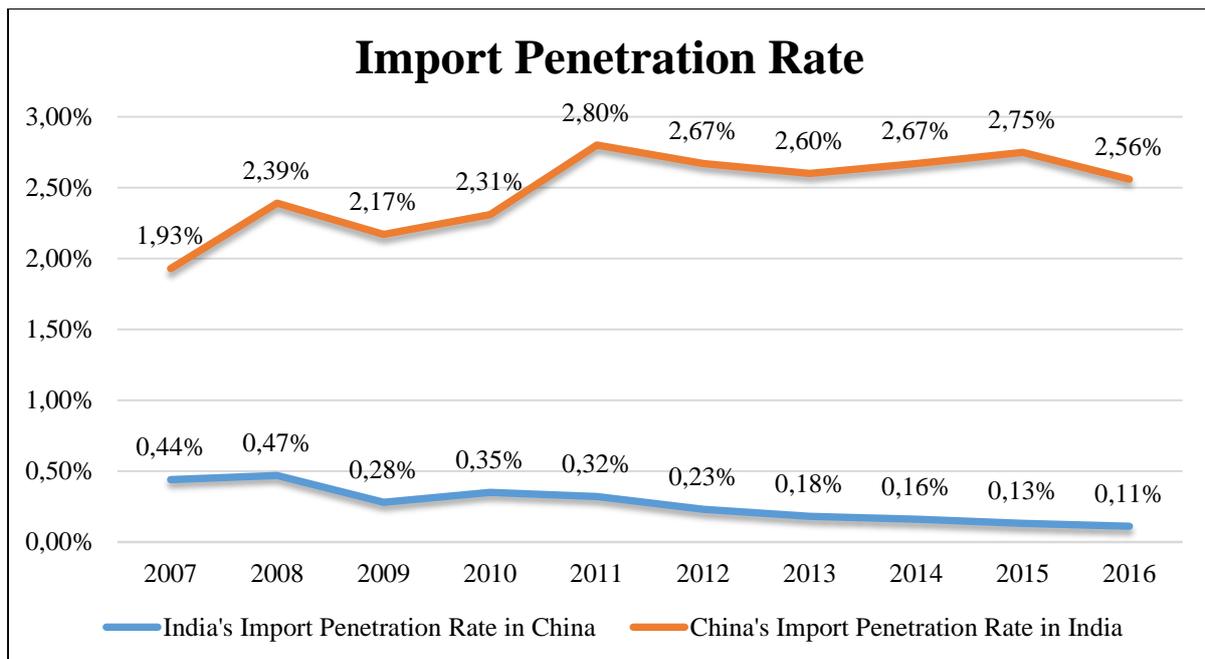


Figure 5. The Import Penetration rate between China and India

Source: PHD Research Bureau, Compiled from World Bank Database and Trade Map Database, 2018

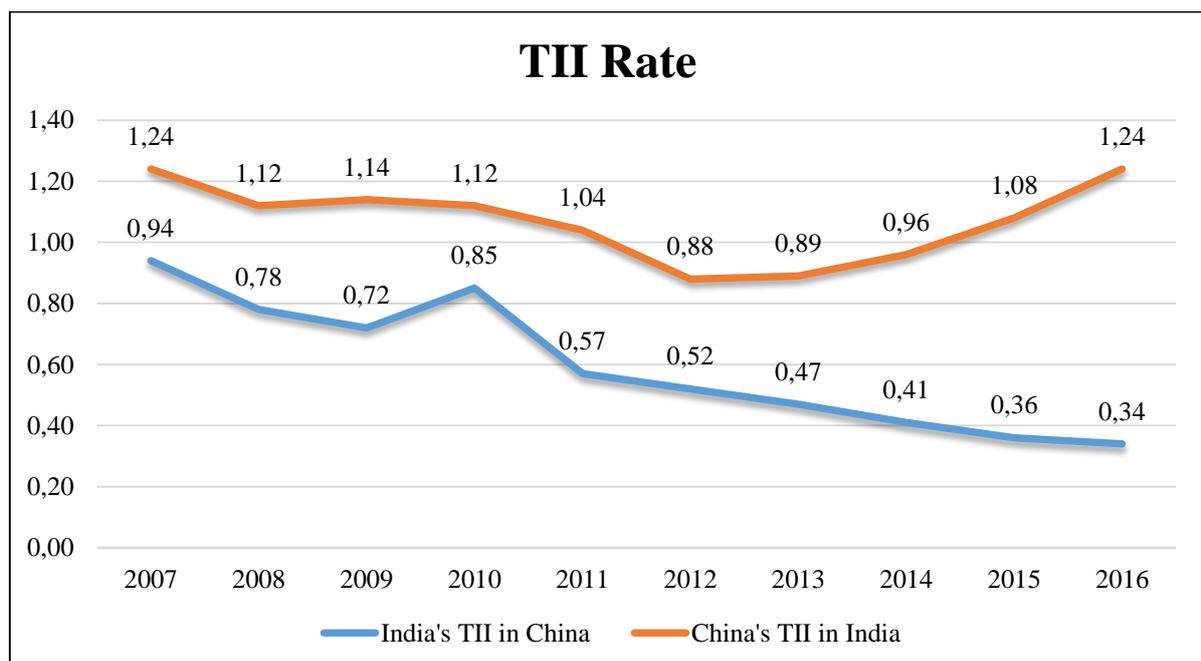


Figure 6. Trade Intensity Index between India and China

Source: PHD Research Bureau; Compiled from World Integrated Trade Database, 2018

The claims of the Import Penetration Rate of China have created a big presence in India's ever-growing consumer market. The country has an intense export relationship with India, however, contrariwise isn't true. The export relationship of India with China has remained laggard and abysmal since the start of their trade relationship. China's TII in India grew from 0.88 in 2012 to 1.24 in 2016 whereas India's Trade Intensity Index in China has consistently fallen from 0.94 in 2007 to 0.34 in 2016 indicating an unintended presence of Indian products in China's market (PHD Bureau, 2018).

Trade cost analysis. The trade analysis provides an optimal viewpoint to access the cost as a percentage of overall export that's incurred during trade between China and India. The trade costs are the worth equivalent of the reduction of international trade compared with the potential implied by domestic production and consumption within the origin and destination markets. The upper bilateral trade costs end in smaller bilateral trade flows.

Table 5. The trade cost scenario of India with China (in advalorem %)

Items/years	2010	2011	2012	2013	2014	2015
Agriculture	166.63	164.25	162.10	167.26	184.53	212.88
Manufacturing	98.59	99.91	102.66	93.10	-	-
Total Trade	102.64	102.81	105.03	100.30	-	-

Source: PHD Research Bureau, Compiled from World Integrated Trade Database, 2018

In spite of being contiguous nations, both nations witnessed extremely high trade cost. In 2015, the trade cost for agricultural products rose exorbitantly to 213% from 166% in 2010. Though in recent years the information for manufacturing trade cost isn't available, the general trade cost eased to 100% on the rear of lower manufacturing trade costs during 2013.

Both countries must reduce the additional barriers imposed on agricultural products to spice up the agro-products trade and reduce the ever-rising trade costs. The crux of the above analysis suggests that both China and India don't seem to be able to intensify their trade relationship, perhaps thanks to different priorities at hand. Moreover, both China and India should zero in on the removal of various bottlenecks in doing trade with one another and note that with rising complementarity, both the nations should target grasping this chance. Furthermore, the trade relationship and regime should be revisited to hit a balance trade mechanism over time. The regime shouldn't favor anybody nation if the trade highly favors China whereas India is left with an enormous deficit in its balance of trade (PHD Bureau, 2018).

India-China Investment Corridor

Both China and India have taken several attempts to boost communication around matters per trade, investments; and sensitizing one another on matters of concern. In April 2018, the highlight of the positive trajectory of the bilateral relations has been the visit of Prime Minister Modi to Wuhan for the first-ever bilateral informal dialogue. Modi government has been spending an unprecedented amount of government's budget on building roads and highways, ports, railway lines (including India's first bullet project), metro, digital infrastructure, smart cities, etc within the first 4 years. India spent around USD 92 bn on its infrastructure programs in 2018-19, with massive opportunities for PPP collaborations to bridge the whole investment requirement of USD 770 bn.

India is one in all the world's fastest-growing economies, and its GDP growth rates are likely to be 7.3% in FY19 and seven.5% in FY20. India is on the right track to own a consumer market of \$ 4 tn and therefore the third-largest consumer economy by 2025 with the per-capital income expected to rise by 125%.

Due to the factors, India has turned because of the world's most engaging marketplace for foreign direct investments (FDI). due to its investment-friendly policies and opening of several sectors for FDI, India for the primary time received FDI of over \$ 50 bn in FY 2015-16, standing at \$ 55.5 bn and highest ever FDI inflow of \$ 60.1 bn in 2016-17. India attracted

USD 205 bn in FDI flows between April 2014-December 2017, there's no denying the actual fact that the Sino-Indian relationship went through a rough patch during 2017 though trade and investment data suggest a growing divergence of economic decisions from political compulsions.

According to Chinese General Administration of Customs, in 2017 the bilateral trade rose to an all-time high of USD 84.44 bn, with India's exports to China also rising by 40% from 2016 levels, to succeed in USD 16.34 bn. This has been available in a backdrop where bilateral trade had stagnated around USD 70 bn for several years, despite leaders of both nations setting a USD 100 bn targets for 2015 (Divay, 2018).

Trade Deficit between India & China

The Indian government has been taking continuous and sustained steps to bridge deficit by lowering the trade barriers for Indian exports toward China. On 26 March 2018, during the 11th session of Sino-Indian Joint Group on Economic Relations (JEG) held in New Delhi, the Trade Ministers of two countries agreed to extend bilateral trade between the 2 countries in an exceedingly balanced and more sustainable manner. Various meetings are held with Chinese counterparts during this regards as an element of ongoing efforts to hunt market access for varied Indian agricultural products, animal feeds, oilseeds, milk, and milk products, pharmaceutical products, etc., in light of the potential of those products/services within the Chinese market. Protocols even have been signed to facilitate the export rice, rapeseed meal, fishmeal – animal oil and tobacco leaves from India to China from India (Press Bureau, 2019).

Table 6. The details of the imports to India from China during 2015-16, 2016-17, 2017-18 & 2018-19 (April-December)

Year	Import (Value in USD Million)
2015-16	61707.95
2016-17	61283.03
2017-18	76380.70
2018-19 (up to December, 2018)*	53878.06

Source: Press Information Bureau, 2019

India possesses an elaborate and robust legal framework and institutional aim to shield its environment, life, and health of its people, plants and animals. All items imported to India from other parts of the globe are subject to domestic laws, rules, orders, regulations, technical specifications, environment and safety norms that are notified from time to time. Just in case goods imported from any source are found to violate these regulations and threaten human, animal or flora or health the govt. takes suitable action. Moreover, trade defense measures like protective tariff and duty, safeguard measures are enforced under the prescribed WTO provisions. The Directorate General of Trade Remedies initiates anti-dumping investigations on the idea of a duly substantiated application filed by the domestic producer with prima facie evidence of dumping of products into the country causing injury to the domestic industry. The applications of this sort submitted by the domestic industry are processed as per the method and within the cut-off dates specified under the Customs Tariff Act, 1975 and also the Rules made thereunder. The Directorate General of Trade Remedies conducts investigations and

recommends the imposition of the duty, wherever appropriate, to the Department of Revenue by issuing its preliminary/final findings. Acting upon such recommendations of the Directorate General of Trade Remedies, the Department of Revenue may impose the provisional or definitive duties (Press Bureau, 2019). Anti-dumping duty as of 28.01.2019 is in effect on 99 products imported from China. The sector-wise details of those 99 products are given below (Table 7).

Table 7. The sector-wise details of 99 products

S.No.	Product Category	No. of cases in which duty is in force
1	Chemical and Petrochemicals	40
2	Electrical and electronic items & accessories	05
3	Fibres and Yarn	08
4	Fibre Boards	01
5	Glass and Glassware	10
6	Machinery Items	5
7	Pharmaceutical	2
8	Rubber or Plastic products	1
9	Steel and other metals	11
10	Other Products	16
	Total	99

Source: Press Information Bureau, 2019

India's imports from China jumped to a whopping 33 times, from USD 1.83 billion to USD 60.48 billion during 2001-2016. India's deficit with China expanded 57 times during the identical period remarkably. The deficit of India with China narrowed marginally to USD 51.57 billion in 2016-17 from USD 52.69 billion in 2015-16. The magnitude of the deficit is exorbitant. India was the 7th largest export destination for Chinese products and also the 27th largest exporter to China. India - China exchange the primary four months of 2017 increased by 19.92% year-on-year to USD 26.02 billion in 2016 (PHD Bureau, 2018).

Analyses of Major Problems in China-India Trade and Economic Relations

There are factors within and outside between China and India that still impacts their relations.

The Legacy of the 1962 War

India's Defense Minister George Fernandes (1998 - 2004) remarked in 1998 that "China is India's ideal enemy". Enormous mistrusts for every other on each side. Many within the Indian strategic community regard China as a significant security threat (Li, 2010). For several Indians, the short border war in 1962 was a national insult.

Declining Mutual Admiration

When Nobelist Rabindranath Tagore visited China in 1924, China's leading scholar Liang Qichao remarked that from India China had learned lots. He called India China's "big brother" (Tan & Geng, 2005). Today many Chinese are contemptuous of India for its messiness, inefficiency, and indecisiveness while overlooking the benefits of democracy which has caused more balanced sustainable development in India. Many Chinese, who only study India from media, consider India an unclean, third-rate style of place.

Dalai Lama

The presence of quite 1, 00,000 Tibetans refugees in India and India's continued willingness to produce shelter to the Dalai Lama could be a continuous source of irritation in China-India relations. Therefore the presence of Dalai Lama and his anti-China Activities in India have negative implications for India-China relations (Dar, 2014).

Water issues between China and India

China and India, water issues are getting a significant area of concern between the 2 states. In fact, many strategic thinkers are arguing that disputes referring to water are going to be a significant source of conflict between the 2 countries within the future (Dar, 2014).

Conflicting Interests

China and India are experiencing the "close neighbor syndrome". The closer interacts, the more frictions there'll be. Old disputes remain unresolved; ones have risen to complicate the link. as an example, any irresponsible Chinese activity in Tibet could accelerate the shrinking of Tibetan glaciers change the climate that sustains many countless inhabitants in Asia. Lack of mutual trust ends up in misinterpretation of economic activities as strategic competition (Zhu, 2011).

The Border Issue

The protracted boundary dispute could be a major source of irritant between Beijing and Indian capital New Delhi (probably the ugliest aspect of the relationship). India largely sticks to an actual boundary supported by McMahon Line, drawn by British Indian administration and imposed on the Tibetan authorities in 1914 under the Simla Accord. The successive Chinese governments never recognized such a boundary. From both of the perimeters, a successful border settlement requires compromise and cooperation (Fravel, 2008).

China and India as Hybrid Powers

The nested security dilemma within the China and Indian maritime relationship is that the proven fact that China and India are hybrid powers, meaning they're countries that are both major continental and emerging maritime powers (Kennedy & Parker, 2015). The foremost remarkable evidence of this is often that China's near-simultaneous unveiling of the twin concepts of a "Silk Road Economic Belt" and "21st Century Maritime Silk Road," that are integrated into the One Belt, is One Road initiatives. These concepts promote greater infrastructure connectivity, economic integration, and strategic cooperation across China's land and maritime frontiers, respectively (Smith, 2011).

Third Parties

Several third parties have contributed to the profound mistrust between China and India. India's dubious relations with the Dalai Lama and China's "all-weather" friendship with Pakistan are other major assets of tension for China and India respectively. In fact, during the 1960s and 1970s special China and Pakistan relations are deeply rooted, as an example,

Pakistan served as a critical conduit between the U. S. and China because the two great powers were reaching resolute one another (Zhu, 2011).

Hawks

Nationalistic, hawkish forces, like elsewhere, tend to feature fuel to fireside in their public comments on China-India relations. There are two tendencies within the media and security communities of both countries to either magnify problems between the 2 sides or overemphasize future opportunities of the connection and deemphasize past troubles and present realities. They often misinform, mislead and provide people false hopes (Shourie & Tellis, 2008).

Cognitive Discrepancy and Trust Deficit

Despite growing trade and other exchanges, in security China and India are obviously still stuck within the classic "security dilemma". India is hyper-sensitive to China's words and deeds and aspires to outperform China in every aspect. India is anxious over its deficit with China and desires to narrow it by attracting more Chinese investment. However, India suspects that several Chinese companies have military or intelligence links, and it's wary of those companies financing in sensitive sectors and regions in India. This is often why India isn't as enthusiastic as China is for a bilateral trade agreement (Sikri, 2009).

Initiatives Taken by China and India to Improve the Socio-Economic and Diplomatic Relations

There are many initiatives taken by China and India to improve the Socio-economic and diplomatic relations. They are discussed below.

Establishment of Special Economic Zones (SEZs) and Export Processing Zones (EPZs)

The fixing of SEZs and EPZs in China occurred in three waves. Within the first wave in 1980, in 1984 the second wave and therefore the third wave of trade liberalization occurred in 1991-1992 as China extended its trade policy to central and western China through the forming economic development zones and high-tech development zones. As mentioned by Naughton (2006), there have been around 160 economic development zones by the tip of 2003. Although India started before China, its enlargement of SEZs lags China in terms of number and place of multinational. In 1965, India already launched its first EPZ, the Kandla EPZ in Gujarat, so founded five more EPZs within the 1970s and 1980s. There have been only 11 functioning SEZs by the tip of 2006. Currently, the Indian government has approved quite 200 SEZs. The emerging SEZs partially explain the remarkable rise in India's international trade growth (Tian & Yu, 2012).

Table 8. Number of Special Economic Areas in China and India (through 2006)

Types of Special Economics Areas	China	India
Special Economic Zones (SEZ)	6	11
Export Processing Zones (EPZ)	39	8
Economic & Technology Development Zones (ETDZ)	54	-
High-technology Development Zone (HTDZ)	53	-
Bonded Zones/ Export-Oriented Units (EOU)	15	1

Source: Naughton (2005) and Panagariya (2008), compiled by the authors (Tian & Yu, 2012).

Despite the bilateral problems, China-India has taken various initiatives to boost trade and economic relations. At different times, the governments of the 2 countries have visited the 2 countries to develop their relations and have signed various agreements. Like Gandhi's 1988 visit to Beijing creates an agreement to resolve the border dispute. P.V. Rao visits Beijing and Signs a border peace and tranquility agreement, 1993. Vajpayee visits China in 2003 and recognizes Chinese sovereignty over Tibet. Dr. Singh visits Beijing in 2008 and promotes a "Shared Vision". Dr. Singh Signs the border defense and trans-border river agreements in Beijing, October 2013. Xi's state visit to India, September 2014. Modi visits China primarily to spice up economic cooperation in May 2015. These states' initiatives have improved trade relations. The last word consequences of that are accelerating the trade volume and reduction of deficit between the nations.

Analyses the Common Interests of China-India Trade and Economic Relations

There are many common interests of China-India trade and economic relations. They are discussed below.

Expanding Trade

Bilateral trade has grown by leaps and bounds within the past decade. As a sign of closer ties and easing of tensions along the border, three border passes are open for trade now: Lipulekh is that the primary border post opened for trade-in 1992. This was monitored by the opening of Shipkila in 1994 and Nathula 2006. Given their contrasting and extra economic strengths- China's in manufacturing, India's in services - there's much potential for deeper cooperation in trade and growth (Zhu, 2011).

Global Cooperation

The two large economies which depend heavily on energy imports, both China and India are anxious about energy security. A worrisome fact is that either country had to pay way more than suggested bidding prices to out-survive each other for project contracts or oil. They have cooperated within the international energy market in recent years (Zhu, 2011).

Security

China and India have a typical interest in combating other non-traditional security challenges like terrorism and cross-border medicine trafficking.

Climate and Environmental Concerns (Green Economy)

They have managed to keep up a typical position on temperature change, arguing that developed countries should accept historic responsibility for temperature change and developing nations shouldn't be pressured to arrange to targets on carbon emission cuts. With each other's support, China got the observer status within the South Asian Association for Regional Cooperation (SAARC) and India the observer status in Shanghai Cooperation Organization (SCO).

Regional Implications

China and India are of paramount interest within the Asian region as both countries have independently adopted closer economic relations through bilateral and regional agreements. Particularly important is that both countries have already signed the Framework of Economic Agreement with the Association of Southeast Asian Nations (ASEAN) (Srivastava & Rajan, 2004). Ultimately, both China and India are going to be a part of the Asian trade Area (AFTA) and perhaps drivers for the creation of a "common Asian market" (Kaplinsky &

Messner, 2008). In total, countries within the region are expected to be affected differently by development in China-India trade.

Expansion of Maritime Interests and Capabilities

The security dilemma within the China-Indian relationship is that the appearance of Asia's maritime domain as a platform for interaction and potential competition between both states. The increase of the nations as a serious trading and resource-consuming power has raised the strategic importance of the maritime domain. Around 90% of the entire external trade of India by volume and 77% by value now transits the maritime domain (Bajpae, 2015). Both China and India even have ambitious plans for the event & achievement of platforms aimed toward strengthening their blue-water naval capabilities.

Expanding Asia's Strategic Geography

China and India emerging as key trading and resource-consuming powers and also the communication ability of them to project power beyond their immediate sub-regions have widened the strategic geography of Asia examining the broader implications of the nested security dilemma in China and India's maritime relationship. The very emergence of India as a brand new geopolitical space may be a reflection of the capabilities of India and China to transcend their respective sub-regions (Smith, 2011). Growing maritime benefits and capabilities Offer of India and China to both widen the strategic geography of Asia and alter the character of their bilateral relationship (Medcalf, 2014).

Implications for US Policy toward Asia

The relationship between China and India also has implications for the US policy toward Asia. The U. S. encompasses a crucial role to play in ensuring that the emergence of China and India as key maritime powers doesn't undermine the soundness of the maritime global commons to the dominant military power and sea-based balancer of the explanation. The Sino-India strategic weight of in Asia has completed their bilateral relationship a microcosm of broader regional dynamics and a harbinger of the regional architecture historically (Scott, 2012).

Ways to Developments of Sino-Indian Trade and Economic Relationship (Recommendations)

To promote the Sino-Indian trade and economic relations and accelerate the trade volume with a view to developing socio-economic and political relation some measures have been taken. Tough the initiatives have accelerated the trade volume and minimized the trade deficits between the countries in recent years; the growth is remaining slow and lagging behind the target. The following measures can bring the momentum of trade relations and accelerate the trade volume significantly:

Common Economic Zone

Common economic zone is very effective to promote the trade and investment activities and develop the business and diplomatic ties between and among regional or global parties in the modern global arena. In common economic zone member states can conduct tariff-free trade and investment activities with other privileges. So, China and India can create a common economic zone which will promote their products, increase the productivity, extend the market, enhance revenue, create employment, transfer the technologies and diversify the business ethics and culture. Moreover, it'll strength the diplomatic relation between China and India which increase their leverage to solve the regional and global problems.

Bilateral Treaties

Bilateral treaties are very effective for market expansion and investment promotion and diversification in the era of modern global market economy. China and India can create bilateral treaties for certain categories of products and investments. This will in one hand increase the productivities, investment and economic growth on the other hand pave the way for diplomatic bondage.

Administrative or Bureaucratic Barriers

Administrative or bureaucratic barriers are one of the most remarkable impediments for business and investment activities in modern times. The factor hinders the economic and investment growth and increases the investment cost, time of investment and cost of products. So, reduce the bureaucratic and administrative barriers through favorable rules, regulation and government strategies which will accelerate their each of doing business index and increase the foreign investment and build the bridge for international and geopolitical relations.

Competitive Advantage Policy

Competitive advantage, in free-market economy an agent will produce more if it's cheap to produce due to low production cost and export to others, can be a very effective way to accelerate productivity, enhance trade volume, bring the low cost of products and create employment and socio-economy development between the two countries. The competitive advance policy is scientific and gaining popularity throughout the world in the modern global arena.

Settle the Territorial Disputes

China and India are two regional powers and neighboring countries that share a very vast territorial border. Relation between China and India has been characterized by border disputes, leading to three military conflicts — the Sino-Indian War in 1962, the Chola incident in 1967, and also the Sino-Indian skirmish dispute in 1987. The clashed between China and India in the early 2017 at the Doklam plateau along the disputed Sino-Bhutanese border. The border dispute is the major barrier to improve trade relationships and accelerate the trade volume. The settlement of trade disputes through ICJ could be a setback of improving trade relations between the two economic superpowers which will be a potential breakthrough to develop Sino-Indian socio-economic and political relations.

Trade Taskforce

To promote the trade relationship with a view to accelerate the trade volume and socio-economic and diplomatic relations, establishing a trade taskforce involving the members of two countries could be very effective. The task force will monitor the areas which the countries jointly can involve and develop. The task force also will figure out the strategies, develop working model and ways to implement the plan for the purpose.

Infrastructures Development

Infrastructure is one of the most significant components to accelerate trade barriers. To promote the trade volume and minimize the trade deficit between China and India, together with free trade zone infrastructure mainly, roads and highways, seaports and airports and entrepreneurship education and training institutes could be very effective.

Ombudsman

Creation of ombudsman, an official who is charged with representing the interests of the public by investigating and addressing complaints of maladministration or a violation of rights,

will accelerate trade and investment between the countries. The ombudsman receives the complaints from the parties if business rules are violated and settle the dispute through judicial processes as the representative of the complained party.

Conclusion

The study examines the Sino-Indian trade and economic policy to accelerate trade volume and promote commercial and investment activities as a way to promote diplomatic relations and socio-economic development. The study was conducted based on secondary sources of data. The finding of the study was represented and shown in tables, graphs, diagrams as well as relevant effective ways where necessary. The study found that Sino-Indian bilateral trade volume has been accelerated revolved in recent decades. Trade relation between China and India was initially partial and China was basically an exporter, exporting extremely large volumes to India than importing. Till 2017 Chinese trade volume to India was almost 4 folds than that of India's. But since 2018 the following the trade agreement between the countries the trade volume between the countries has been accelerated significantly and trade deficit has been narrowed dramatically to the thinnest level in recent years. The study discovered that China and India pursue various comprehensive and traditional strategies including bilateral treaties, foreign direct investment (FDI), constituting Special Economic Zone (SEZ) and Export Processing Zone (EPZ), regional cooperation and infrastructure development which promoted business and investment activities. As the countries are the most populated and emerging growing economies and confronting the same geopolitical and global challenges including border dispute, global terrorism, global climate and large population and workforces are needed to feed and absorb in employments, the Sino-Indian more effective and flexible trade relation is very effective for socio-economic and political development. But border disputes, frequent regime changes in India, poor infrastructures, bureaucracy and corruption and absence of good governance, good microeconomic policy and good business climate are the major impediments to improve the relation. The study summed up that pursue comparative advantage policy, comprehensive and effective bilateral treaties, free economic zones, joint ventures, settling border disputes, good microeconomic policy, good governance, ease of doing business policy, green economic and working jointly to solve regional and global problems can promote Sino-Indian trade relation.

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