

China-India Relations under Modi Regime and Pakistan's Concerns

- Sabahat Jaleel** Lecturer, University of Engineering and Technology Taxila, Punjab, Pakistan. Sabahat.jaleel@uettaxila.edu.pk
- Shabnam Gul** Assistant Professor, Department of Political Science, Lahore College for Women University, Lahore, Punjab, Pakistan..
- Zahid Akbar** Ministry of Defence, Pakistan.

Abstract *China and India are rising powers of Asia. Both Asian giants have to adopt the policy of interdependence by growing economic ties; on the other side, they have a strict stance on border disputes. This article describes in detail the bilateral relationship between China-India, especially under the Modi doctrine, during his first term. Secondly, it also discusses the limitation of these growing ties and growing concerns for Pakistan. The basic argument of this article is that the growing economic interdependence will affect Pakistan, especially if this interdependence transfer from the economic to military dimension. The whole data is based on exploratory in nature. A qualitative research method has been used to achieve the research goals. Tools used for data collection include oral interviews and content analysis of the existing literature on the subject in the form of books, official reports and research articles. The relevant literature has been objectively analyzed to reach a meaningful conclusion.*

Key Words:
Asian Giants, China,
Emerging Economies,
India, Interdependence,
Pakistan.

Introduction

Post-World War II, international politics revolved around the era of power politics. States engaged in maintaining the balance of power for their survival. These developments increased competition between states to maintain a power balance against their rivals. With the passage of time, the power equation increased globally by the addition of many variables due to the advancement of technology. The scenario of World War I introduced the theory 'Balance of Power', which was more acceptable and common (Walt, 1985). Then Cold War proved this occurrence, and the rise of the unipolar world further added new variables which are different from the 'natural' variables because many of them have been the product of science and technology. These inventions have brought limitations into the political system, which has resulted in an uncontrollable power equation by the states.

During the Cold War era, uncertainty and high politics increased, but after the dismemberment of the USSR, it ended. After the Cold War era, a new culture of interdependence emerged in the dimension of both economic and security (Nye Jr, Biedenkopf, & Shina, 1991). The key focus of this new phenomenon was the third World rather than the European Union. Theoretically, China-India relations fit easily into the framework of interdependence.

It is an observation that, in the post-Cold War scenario and with the start of unipolarity, states adopted the dimension of interdependence even in the field of security. This interdependence creates peace and stability by making economic prosperity rather than destruction. The triangle of China, Pakistan, and India also poses risks, and so they have made an equation between security and economic interdependence. In the case of security, China is not dependent on any other state while, on the other hand, it has to maintain the financial expenditure of security and defence that has come through trade with other countries since 1978 due to its open-door policy. In this way, China adopted economic interdependence with other countries for its peaceful rise. According to the list of a top economic partner in 2009, America was the largest trading partner of China; Japan was second while India remained in the tenth slot.

China-India is bilateral relations following the policy of interdependence in the field of trade and economy. In the economy, the key allies of India are China and UAE, while Israel, the US, Russia, and France remain its security partners.

On the third vertex is Pakistan. Pakistan is also confined to the paradigm of interdependence with China through the CPEC project. Pakistan, for its strategic and defense necessities, is dependent on America and China; although, for the economy, Pakistan's dependence is also prevalent in China and America. Other economic allies of Pakistan are Europe and UAE. Pakistan has continuously been in the

camp of America due to the capabilities of the administrator of unipolarity and its notable military and diplomatic impact ([Shambaugh & Shambaugh, 2005](#)).

China-India Relations

China and India are the two most populous countries in the world. In the past, both countries faced many convergence and divergence in their relationship. For example, India was amongst the first countries which recognized the People Republic of China and established diplomatic relations. Their mutual benefits and understanding developed in the 1950s were then temporarily suspended during the 1960s and till the mid-1970s, and after 1978 China's 'opening up' policy again slowly resumed the relation in the late 1970s and in the 1980s. Both countries, therefore, were able to start rapprochement in their bilateral relationship with a special focus on their economic growth, which steadily increased in the 1990s. During the twenty-first century, their bilateral relations have been drastically enhanced ([Somarajah & Wang, 2010](#)).

China-India both remained focused and competitive related to their ideological and territorial interests in South Asia. Their rapprochement can be based on the changing dynamics in the global political scenario ([Choudhury, 1990](#)). This global trend has affected almost all the states to change their international relations. The dismemberment of the USSR and the shift from multipolar to the unipolar world has changed the complete ideological structure, which forced underdeveloped and developing countries to enhance their cooperation with other developed states of the world. It has forced countries to change the dimension of their internal and external policies. This has been the case with China-India. Policy analysts re-shape their policies according to the changing global dynamics. Both states brought changes in their external policy thoughts and actions to contest the essentials for the structure ([Saleem, 2013](#)).

The Chinese external approach made economic development a top priority of the state. Economic interdependence turned into the most significant dimension of the Chinese external approach. Predominantly, this reliance remains an important instrument for the fulfilment of its objectives. This strategy directed China to cooperate with other major economic forces, among which India was an important emerging nation. Despite the presence of their territorial disputes, both states have remarkable expanding their interdependence, especially in economic terms. But this collaboration remained constrained in the field of commerce and trade for a long time ([Laurenceson & Chai, 2003](#)).

This growing interdependence encouraged the "Pluralization of Actors" in the foreign and trade dimension of China ([Guoyou, 2019](#)). China also introduced many new policies in the system for the interaction of foreign investor to conduct their business. It also transformed the security policy of China as the new dynamics not only dominated the economy, but it was also the economy that influenced and transferred the effect to the security dynamics of the country. These key causes that became the means of change in the Chinese considerations comprised mainly based on changing the structure of bureaucracy, introduce reforms in the domestic agenda, change in public opinion changing the opinion of business and decision-maker elites improved complexity of the Global system, which changing the effects of globalization.

On one side, there were many other significant agencies apart from the above-mentioned causes. For example, American pressure on bilateral trade and problems of accessibility for its products to the international markets ([Segal & Yang, 2013](#)). On the other side, the growing business and the role of Multinational Corporations (MNCs) can also play a significant role in changing Chinese policies. The numbers of MNCs increased in China due to the availability of markets and cheap labors.

Chinese foreign policy was greatly influenced by globalization, pluralization, decentralization, and professionalism ([Strauss, January 2016/Interview](#)). By the action of all these powers, Chinese foreign policy drastically changed. China did not fall into more conflicts that would obstruct economic progress. In this way, China's "Economic Diplomacy" developed stronger. China did not leave behind its military at any stage. It continued to be committed to its attitude in the conflicts on strategic and territorial issues while still prioritizing modernization in its military capabilities ([Lampton, 2001](#)).

This pluralization of the actors was also challenged by India, and the powerful strategic culture restricted many changes in the settlement with the changing global framework. The impact of the military establishment was retained, and it likewise turned into the main cause of hurdle for development. During the time of Cold War India's, the basic objective was to develop its nuclear capabilities with the assistance of its strong ally USSR. Post-Cold War, India adopted two different dimensions in its policy. While these opinions were different from each other, India managed to work on both at the same time by mingling them.

1. The first thought came from the security-minded person who thought that in order to their national survival, it is making sure that to strengthen the military apparatus which provides the surety to India's peace and

stability from external threats. Basically, they consider the military as the best guarantee of peace—also, embassies on the development of military equipment.

2. This school of thought mainly focused on the liberal forces of India, who believed more in economic power rather than military development. According to their thought, economic interdependence decreases the chances of war.

These changing dynamics in the policies of both states took significant changes in their foreign policies. The border enemies became the largest economic partners. Still, their economic interdependence has not yet successfully solved their territorial disputes. India considers China as the biggest threat to its territorial integrity ([Sisodia & Bhaskar, 2005](#)). On the other hand, China grew its mutual trade with India. China would also have a positive result on its national economic development. This model showed benefits for both states and was the major target of economic collaboration. The main beneficiary of this deal remains China. The trade deficit (for India) is growing, and it is a source of great concern for India's governing and business class. The trade deficit of India is the world's higher trade deficit. It accounts for an almost one-fifth portion of India's total trade deficit ([Panagariya, 2013](#)).

China and India are growing industrial countries due to their rapid industrialization: day by day, their demand for energy is increasing, and they become energy-starving countries. The need to secure energy assets have been a cause of conflict and competition between the two economic partners. Both nations on the political level discuss so-called energy collaboration; however, there remains an extreme rivalry between the two nations in this area. Border clashes remain another big obstacle to the productive strategic corporation. There are expanding questions and suspicion in both governments ([B. K. Singh, 2010](#)).

New Phase of Opportunities: Leadership Transition in China-India Relations

China-India Relations in 21st century

In the Post-Cold War Scenario after the dismemberment of the Soviet Union, China tries to fill the power vacuum. To develop the confidence of major South Asian states, it adopts the philosophy of interdependence. At the end of the 20th century, Chinese President Jiang Zemin paid an official visit to India and offered to rebuild the bilateral relationship in the 21st century based on five principles of peaceful co-existence. In 1999, when Indian Foreign Minister Jaswant Singh visit China, both states assured that they trust each other enhanced bilateral cooperation. Later, in 2000 foreign ministers of both sides started the first phase of security dialogue. Therefore, China-India relations enter a new phase of improvement and bilateral exchange.

Chinese Premier Zhu Rongji visited India in 2002; later Indian Prime Minister A.B. Vajpayee visited China and inked an agreement on principles for relations and comprehensive cooperation. They also focused to enhanced bilateral trade and settled their boundary disputes on the autonomous region of Sikkim and Tibet. Both govt. Also agreed to open trade routes from disputed territory.

In 2005, under new leadership, Premier Wen and Prime Minister Dr Manmohan Singh signed a joint declaration for developing a strategic partnership to develop peace and prosperity. In 2006 Chinese President visited India, and both sides issued a joint statement based on a ten-pronged strategy to stabilize cooperation in all areas. Later in 2008, both states, in the visit of Dr Singh, issued a document, "A shared vision for 21st century of the Republic of India and People's Republic of China", based on international mutual disputes. In 2010 Chinese Premier Wen Jiabao visited India and signed six agreements related to green technology, media exchange, cultural exchange, hydrological data and banking. They also established that forum of strategic economic dialogue, and the year 2011 declared as 'India-China Exchange'.

China India Relations under Modi First Term

The current government in India has attempted to rethink the targets and objectives of India's foreign approach. During the first term election campaign, Modi talked about his disappointment with his predecessor's policy towards China and described it as an inability to glorify India. He termed China-India relations a standout amongst the most important relations in the twenty-first century. In his interview with *Indian Express*, he proposed two foreign dimension needs as far relations with China is concerned: firstly, he would proceed to focus on trade; and secondly, he would not hesitate to take hard action if required ([Ying, 2018](#)).

After winning the elections, the real difficulties for Modi were adjusting China-India trade, bringing more direct investment from China, looking for China's assistance in the Asian Development Bank, resolving regional issues and neutralizing China in the region. New Delhi appears to be unable to control the trade balance, and China has exceeded its exports. Modi is expected to secure more direct investment from China than his predecessors. China's interest in Gujrat, as compared to the remaining part of India, has been significant throughout the years.

Modi's role as a facilitator has additionally expanded Chinese business groups' trust in him. Beijing has offered to become India's biggest financial investor in terms of infrastructure by 2017 ([Panagariya, 2013](#)).

The Modi government has also attempted to develop balanced relations with China in the region while neglecting the territorial issues. Earlier, when he visited the disputed territory of Arunachal Pradesh, he declared that China ought to end its claims. On the other hand, the Chinese government has a few reservations about developing Indian engagement in the South China Sea and developing its defense partnership with Japan ([Roy-Chaudhury, 2016](#)).

The liberal school of thought claims that the developing China-India relationship is beneficial for both countries. In fact, the security partnership is more favorable for China as compared to India. For example, security collaboration with India is likely to help China in securing its engagements in South Asia and the Middle East, decreasing India's impact on Tibet and highlighting the latter's issues as far as relations with Pakistan are concerned. China's security cooperation with Pakistan has truly remained a cause of irritation for India, so upgrading security relations with India is expected to become useful in two ways: decreasing militarization on the border and developing trust in mutual relations.

With respect to the Chinese administration is concerned, it congratulated Modi on his success in elections and expressed the wish to develop a strong association with the Modi government. Chinese Ministry of External Affairs wrote on its site, "Chinese government's desire to establish a robust partnership with the new government of India for further development of relations between the two nations". Accordingly, Modi expressed that China was always a priority for Indian foreign policy. He communicated his aspiration that India, under his governance, proposed to increase economic interdependence, utilize all energies to improve people to people relationship and work thoroughly on regional, international and bilateral issues ([Ying, 2018](#)).

The government of China and India agreed to increase their collaboration and exchange of visits. Chinese Premier Li Keqiang visited India in 2013 and invited Modi to China. In his meeting with the Chinese Premier, Modi mentioned China as an associate and helpful partner. He said his wish to improve trade volume and takes the relationship to a more advanced level. Li's visit to India demonstrated a positive sign to the new government and smoothed out the way for President Xi's visit to India. It also prepared a way for the Xi-Modi meeting at the BRICS summit ([S. Singh, 2015](#)).

In July 2014, Prime Minister Modi and President Xi Jinping met at the BRICS summit in Brazil. Modi called for the peaceful resolution of territorial disputes. He stated that his wish to improve Chinese investment in the sector of infrastructure. Xi welcomed Modi to the forthcoming meeting of the Asia-Pacific Economic Cooperation (APEC). An official speech from the Indian foreign office said that both parties agreed on the peaceful solution of boundary issues. The Indian Prime Minister stressed the importance of keeping peace on the border, reinforcing bilateral trust and increasing certainty ([Tierney, 2014](#)).

At the summit, the BRICS states decided to build up a development bank. Starting with 50 billion US dollars assets, the bank represented a counterbalance to the US-led Bretton Woods economic system. All member states contributed an equivalent share of 10 billion US dollar each. Along with the New Development Bank (NDB), the BRICS states also made a Contingency Reserve Arrangement (CRA) with a starting asset of 100 billion US dollar. In opposition to the NDB, China commanded the CRA venture with 43 percent of the share. In any case, India secured the presidency of NDB for a fixed six years term. These decisions meant that China, alongside other member states, considered India on equivalent balance and attempted to upgrade bilateral trust and economic interdependence ([Abdenur & Folly, 2015](#)).

In September 2014, President Xi went by India. Prime Minister Modi welcomed him in Ahmedabad, the capital of Gujrat. It was perhaps the first occasion that the Indian Prime Minister received a country head outside the national capital, Delhi. This occasion reflected Modi's own charisma that how far he could attract the Chinese ([Godbole, 2014](#)). The *Indian Express* reported it as Modi's efforts to present the industrial development of Ahmedabad to his visitor, which was described as an Indian answer to the Chinese region of Guangdong.

After Premier Chou Enlai, President Xi became the first leader to get a civil reception. After the border conflict of 1962, all sort of relations between both nations stayed low and consequently, it was problematic for any Indian leader to give a civil reception to a Chinese leader because of the mistrust of Indian people. Through this appearance, Modi was popular in showing his power to China as compared to the past government. Modi-Xi talks recommended the beginning of new dimensions in China-India relations.

The military position on the disputed border territory demonstrated a thorn in the visit. In addition, it led critics to express their worries about China and disappointed large numbers of them, although the Indian daily papers presented it another way around. Still, the familiarity and warmth in the visit proceeded. The guest looked to be calm and went to famous places in Gujrat. He additionally consented to three key agreements for China's investment in Gujrat before leaving for Delhi. Basically, this visit shows Modi's achievement in showcasing his home state as economically strong and vibrant.

Overall, this visit enhanced mutual understanding and cooperation in all dimensions. For example, Modi gave Nehru's sleeveless jacket to Xi, and both leaders walked along the Sabarmati River. Xi also visited the ashram and saw Mahatma Gandhi's 'Charkha', which he spun during his time in British prisons. President Xi also praised Gandhi for his unending but peaceful fight against colonial rule. Most of the Indian experts, however, regarded President Xi's earlier visits to the Maldives and Sri Lanka as a sign of increasing Chinese involvement in the backyard of India. The leadership of both states accepted the need to develop trust in each other to form strong relations ([Godbole, 2014](#)). The further expansion in the China-India relations is Indian external Affairs Minister Sushma Swaraj's visit to China in February 2015. She presented a six-point formula to enlarge the range of relationship between both states to really make this century an Asian Century. In her address to the China-India forum, she suggested that both countries should adopt "an action-oriented policy approach, develop new areas of cooperation, expand strategic cooperation, broad bilateral engagement to find the convergence of regional and global interests, and fulfil common aspirations to lead the Asian Centuries" ([Rana, 2015](#)).

Swaraj's visit to China has significance for the Indian government. She effectively presented the heavy mandate specified to the new government. She stated that Modi's government in India is symbolic of a vibrant, young and enterprising generation. During the press conference, she specified, "Even in the last eight months, it is already evident that dramatic transformations are underway in my country that will accelerate our journey to modernity". She credited Modi for growing the corporation with China. It also remains important that the Modi government invited the Chinese Foreign Minister Wang Yi immediately after assuming charge. Swaraj mentioned this decision as reflecting the importance of China-India relations for the government. The Indian delegation also seemed concerned with increasing defense relations towards China ([Sharma & Narain, 2016](#)).

Swaraj concentrated on defense cooperation with China. On defense relations between the two countries, she stated that "China and India have made substantial progress in expanding defense contacts across the border. Defense contacts contribute to peace in the border areas and are a necessity for a peaceful relationship between the two countries". The Chinese and Indian officials have been broadly debating the border question since the start of the Modi government. China and India are currently part of many multilateral bodies such as BRICS and BASIC, and there has been significant growth in their relations. China and India also share their thoughts regarding the growing problems of extremism and terrorism. In order to deal with the problem of extremism and terrorism, they have stressed the active role of RIC. In term of bilateral problems, both governments seem to have given vast significance to people-to-people relations ([Wagner, 2016](#)).

Indian officials look more focused on enhancing people-to-people contact. Before leaving for China, Swaraj told the press that she would be investing her focus on increasing people-to-people contact, and this area would remain in her focus. She said that she would launch "2015: Visit India Year in China". She also stated that two states agreed to work on this dimension of relations ([Tandon, 2016](#)).

The Chinese government has also promoted this idea. President Xi has started a cultural exchange programme between China and India. The main area of focus is still economic relations. Swaraj has mentioned economic relations as a critical nature of bilateral ties, stating that, "China today is our largest partner in trade and goods. The two countries are moving to invest in each other. Serious discussions enhancing connectivity has been initiated. On that foundation, we are now seeking to take our economic cooperation to a qualitatively new level" ([Bajpae, 2015](#)).

China-India Economic Relations

China and India are global emerging economic giants having a huge population. The recent economic growth has also enhanced their bilateral relations. The economic relationship between these two neighboring countries has developed from ancient times. Economic analysts assumed that the growing emerging economic trends of China and India would be able to compete with the developed economies of Europe and America. The economies of these two Asian giants can formulate a new economic order or, at least, be able to create big changes in the current world order; according to the report of Goldman Sachs that in the time frame of the next forty years, the economies of Brazil, Russia, India, China and South Africa (BRICS) countries would be able to cross the total volume of the economies of America, the UK, Germany, Japan, Italy and France. China would emerge as the biggest economy in the world till 2050, and India emerge as the third biggest economy of the globe, overtaken would cross all the industrialized states of Europe ([Roy & Bagchi, 2007](#)).

Bilateral Trade and Win-win Situation

Both countries are developing by adopting balance measures, but the continuous development in the economic and industrial sector has also faced many obstacles at the domestic level. Basically, China faced the problem of the weak private sector due to its socialist policies and the issue of the high rate of unemployment. India is challenging

the pattern of bureaucratic procedures and red tape-ism as well as the lack of infrastructural issues ([Devadason, 2012](#)). Both countries are more dedicated to overcoming these issues, and they are very confident in how to deal with them. The other positive step of growing mutual trade is that this will be beneficial to overcome these problems in an effective manner. China and India signed a trade agreement in 1984 and titled each other as 'Most Favored Nation Treatment', and after a decade during 1994, both countries signed an agreement for avoiding double taxation ([Bajpai, Huang, & Mahubani, 2015](#)).

From 1990 to 2002, bilateral trade of China with India increased from 0.2 billion US dollars to 5 billion US dollars, but at the start of the new millennium, the volume of bilateral trade increased dramatically during time of 2003 to 2004 volume increased from 7.6 billion US dollars to 13.6 billion US dollars. ([Wu & Zhou, 2006](#)).

Table 1. China Trade Share with India

Rank	Country	Export	Import	Total Trade	Trade Balance
1	EU	57.2	58.4	115.6	-1.2
2	USA	52.4	35.5	88.0	16.9
3	China	16.7	70.3	87.1	-53.6
4	UAE	30.1	29.8	59.9	0.3
5	Saudi Arabia	5.6	28.5	34.0	-22.9
6	Hong Kong	13.0	18.0	31.0	-5.0
7	Singapore	11.6	16.3	27.9	-4.7
	India's Total	331.0	507.4	844.1	-176.6

In US billion dollars [Source: Directorate General of Commercial Intelligence and Statistics]

Table 1 shows that overall, China's share in India is the third-largest. China-India mutual trade volume for 2016 stood at 87.1 billion US dollars. India export volume was 16.7 billion US dollars while the other hand, the volume of Indian import items from China were 70.3 billion US dollars and resulted in this 53.6 billion US dollars total trade deficit to India. The major shift in bilateral trade volume occurred during the new millennium. At the start of the century in 2000, bilateral trade volume was low at around 2.92 billion US dollars, and it's dramatically increased to 41.85 billion US dollars in 2008 when China emerged as the largest trading partner of goods by replacing America ([Panda, Sethi, & Kumaran, 2016](#)).

In future, it is predicted that bilateral trade between China-India will cross 100 billion US dollar in the coming years. It will also overcome the problem of unemployment by creating more jobs in both countries. India will be able to improve its infrastructure vis-à-vis bureaucratic hurdles, and, on the other hand, China is focused on how to control problems that were created by the lack of a strong private sector.

They are facing the issues of the domestic level; both countries start some positive ventures by stabilization of good relations. One good example of their collaboration is the Greater Nile Project. In the first decade of the new millennium, China and India are more stable and are looking to advance their trade and economic relations. Their mutual collaboration expanded from simple to more complex ventures. These developments rapidly increased their growth at a high level ([Zhu, 2011](#)).

Besides these joint ventures, China-India making alliances in the field of international trade, and due to this policy, they can achieve a win-win situation. China-India enjoys a comparative advantage in different sectors of the economy. China has an advantage in the field of knitwear, winter wear, crochet fabric and ready-made garments. On the other hand, India has enjoyed the advantage in the sector of cotton clothes and yarn for winter. Therefore, both states get a win-win situation through mutual cooperation ([Zhou, 2014](#)).

Table 2. Composition of India's Trade with China

	1999	2004	2009	2014
Total Exports to China (US\$ Millions)	427	2955	9353	14824
Total Exports from China (US\$ Millions)	1097	4053	32497	51034
Percentage of Exports to China				
Cotton	9.8%	3.6%	4.2%	25.9%
Copper and Articles there of	0.0%	1.2%	1.3%	12.4%
Ores, Slag and Ash	26.1%	29.3%	51.5%	10.6%
Mineral Fuels and Mineral oils	0.0%	2.5%	1.2%	6.9%
Organic Chemicals	11.0%	7.5%	4.3%	6.2%
Salt, Sulphur, Erath, Stones and Plastering Material	3.8%	3.0%	3.0%	4.6%

Plastic and Articles	0.3%	9.0%	1.6%	3.8%
Nuclear Reactors, Boilers and Machinery	2.0%	2.3%	2.5%	3.3%
Aircraft, Spacecraft and parts	0.0%	0.0%	0.0%	2.8%
Iron and steel	1.6%	20.4%	3.9%	2.2%
Electrical Machinery, Equipment and parts	1.1%	1.0%	1.2%	2.0%
All other (<2% share)	44.4%	20.0%	25.4%	
Percentage of Imports from China				
Electrical Machinery, Equipment and Parts	10.0%	29.2v	30.8%	27.9%
Nuclear Reactors, Boilers and Machinery	11.3%	12.2%	17.0%	18.5%
Organic Chemicals	21.2%	15.9%	8.7%	10.6%
Project Goods	4.9%	0.1%	3.7%	4.2%
Fertilizers	0.3%	0.3%	2.8%	3.8%
Plastic and Articles	1.1%	1.4%	1.6%	2.6%
Optical, Photographic and Cinematographic				
Measuring	1.4%	1.6%	1.8%	2. %
Vehicles excl. Railway, Rolling Stock and parts	0.2%	0.2%	1.3%	1.9%
Iron and Steel	1.9%	0.5%	5.3%	1.9%
All Other (<2% share)	46.6%	37.6%	23.9%	24.2%

Source: India's Ministry of Commerce and Industry, via CEIC data holding company.

These ventures are important for economic development. This development in the field of the economic sphere increases better strategic relations. China-India also increased its strategic relations by enhancing mutual interdependence and cooperation. As compared to the past now, both countries better understand the strategic concerns ([Zhongping & Jing, 2014](#)).

China-India wanted to enhance their cooperation in diverse fields. Both countries constantly enhance their Confidence Building Measures (CBMs), as well as they understand that there is a need to solve their mutual issues and disputes. The Indian Minister of External Affairs, George Fernandes, was quite aggressive towards China, accepting this during his visit to China in 2003. He said that both countries should share problems like the poor condition of farmers, their regional issues, and the problem of unemployment because both countries must face the same kind of problems, according to him, "both sailing in the same boat". Due to these issues, it is essential for both states to work together to overcome these issues ([S. Singh, 2005](#)).

Bilateral Investment

Chinese Investment in India

In 2007 Chinese investment was only 16 million US dollars which gradually increased in 2008 to around 49.1 million US dollars. In 2010 after the exchange of bilateral visits, China's non-financial investments in India reached around 33 million US dollars which jumped into 95.90 million US dollars in 2011 and 154 million US dollars in 2012. Due to China's BRI and overall emerging economy of the World, China's non-financial investments in India reached 2.763 billion US dollars till December 2013, which is overall a landmark in Indian history and in 2014, this investment reached around 243 million US dollars ([Commerce, 2016](#)).

Indian Investment in China

Indian investment in China is just a minute as compared to China in 2006 only 52 million US dollars which decrease in 2007 and reached around 34 million US dollars in 78 projects. In 2008 increased around 257 million US dollars in 92 projects. During 2010 and 2011, this investment increased from 55 million to 42.17 million. From 2012 to 2014, these figures of FDI were around 44 million US dollars to 50.75 million US dollars ([Commerce, 2016](#)).

Limitations of China-India Relations

It is an interesting phenomenon that both China-India has rivals on the issue of border dispute as well as competitors due to emerging economic powers of Asia but still have cordial ties as well. There are some reasons that constrain China-India relations at a higher level. These limitations have raised the notion of mistrust. These factors include:

Territorial dispute becomes a main hurdle between the two countries. Both countries cannot rule out the danger of war.

China-Pakistan relations remain an obstacle for the growing China-India relations. India also wants to maintain its dominance in South Asia. On the other hand, China increased its influence by growing peaceful ties with all

South Asian states. But especially China-Pakistan relations created a rivalry with India and have countered its influence in the region. India possibly considers these ties as a source of insecurity. General Deepak Kapoor (in 2010) said. "Pakistan and China are two biggest threats to India".

The US-India relationship is the third most critical element in the development of the relationship for both states. This relationship underlines China. Beijing is suspicious of this relationship, as it might be a part of the US policy of containment against China. According to Beijing perspective, the US fears the growing Chinese economy and is trying to contain China with the backing of its partners. Many researchers believe that the US needs to make India strong to reduce the growing influence of China in the region. The US and India are having close collaboration in the field of politics, science, and technology and in the diplomatic domains. This involvement makes China more suspicious about this relationship, as it raises questions that India and the US are attempting to control China in the economic and strategic sphere ([S. Singh, 2008](#)).

Both China and India have objections about each other's strategy towards the region. According to the Indian perspective, they consider that China is penetrating the "Indian sphere of influence" and contain India. Delhi is countering with its 'Look East Policy', according to which it has developed military and strategic relations with Japan, Taiwan and Vietnam. Both countries have their high statements of being regional powers due to their vast economies. They desire to be known as regional powers. For this, both states are trying to be equal in the strategic dimension.

The international goals and objectives of both countries collide as well. As a result, the evolution of relations is limited and slow. Chinese diplomacy is basically "reactionary", and it is not hostile, while New Delhi follows diplomatic trends that seem dynamic. It is India's objective to play an important role in the community of states. It is a candidate for a permanent seat in the UNSC and is keenly lobbying for this objective. China is one of the states resisting this Indian objective. China is not a supporter of India's permanent membership status in the UNSC ([Saez, January 2016/Interview](#)).

Pakistan's Concerns

"Everyone knows what Pakistan will be without China. Its ego is boosted purely by the support it gets from China". (George Fernandes, Ex-Indian Foreign Minister)

China and Pakistan have a strong ally in the region that originated from their mutual contention with India. India has constantly worried about this alliance. As the above-mentioned quotation proposes, Pakistan gets support from China and is heavily dependent on it. China's rapprochement with India might influence Pakistan in many ways. In the following section, the implications of China-India's expanding relationship will be examined in detail.

Pakistan, from its inception, has been engaged with maintaining its security balance with India. Even the beginning of the unipolarity remained unsuccessful in introducing new expansions in Pakistan's foreign and security policy. China-Pakistan relations have four stakes, which are liable for taking more cordiality in ties rather than of growing the China-India relations and the US-Pakistan collaboration in the field of security, economy and strategy ([Saez, January 2016/Interview](#)). These pillars are covering diplomatic support to each other; Pakistan's Gwadar becomes an energy corridor for China, strategic and military cooperation.

There are some limitations in China-India relations, and there remains a prosperous future of China and Pakistan ties, even the situation is still not good for Pakistan. Despite the growing dissimilarities between China-India, their economic cooperation will lead them to a position to improve their interdependence where both countries will collaborate with each other. But Chinese foreign policy developments and dynamics have proposed that there will be no large variation in China's position on territorial or ideological disputes with India.

Pakistan has realized the influence of growing China-India relations. In order to attract China, Pakistan offered an "Energy Corridor" over Xinjiang and Gwadar port which will be discussed in detail in the next chapter. Pakistan contracted many MoUs and mutual agreements to increase collaboration and trade with China at various dimensions. Pakistan will have to focus on developing economic ties with China as the economy remains important for the Chinese government. In the long run, China and Pakistan will further strengthen their military and strategic ties. In fact, the economic condition will also not continue the same. In the next twenty to twenty-five years, it may not be as favorable as today ([Lim, 2016](#)).

In the changed international political situation, China remains Pakistan's best steadfast, 'all-weather friend', and this has been confirmed over and over again. Nowadays, mutual affairs have raised various question marks. The reason seems simple. China is not only a dominant regional player but also an international actor-player. In order to keep its international and regional benefits, it is feared that China will not be able to maintain the same degree of support and collaboration to Pakistan, mainly on the matters in which India is against Pakistan ([Small, 2015](#)).

Economic relations, as defined before, have been of less significance in the China-Pakistan relations, as the emphasis on mutual relations remained strategic. The other dimension of focus between the two countries has been

politics. India, on the other hand, established strong economic ties with China. It may be that rising China-India relations will have a bad impact on China and Pakistan, especially in the sphere of military cooperation. But for foreign investment in Pakistan, internal security conditions have also become an obstacle. India takes advantage of this situation in order to discourage business and investment in Pakistan ([Khokhar, 2011](#)).

On the other side, China and India are working on growing cultural and people-to-people relationships. China has set up many Confucius institutes in India. Student interchange programs are frequently organized, and India is encouraging the growth of Indian cultural depiction in China. Pakistan needs to create more people-to-people connection and cultural links with China to balance India's growing influence, which may bring negative effects for Pakistan in the long term.

Pakistan, to take advantage of good relations with China, must raise people to people relationships, more students and scholar interchange programs, and cultural exports to China. Improved collaboration and connections between economic dimensions think tanks and scholars also mean developing mutual relations and counteracting the negative impact of the growing China-India relation. Along with all these reasons, Pakistan also needs to find resources and ways to achieve a balance of trade for the joint advantage of China and Pakistan.

Conclusion

In a nutshell, China-India is the emerging economies of Asia were considered as Asian giants. Its need for the hour that both countries develop peaceful and cordial relations for the promotion of regional peace and stability. China, as an emerging economy of the world and its global open economic policies, develops its relations with India. On the other hand, India also welcomes China positive involvement. Both countries need to create a confidence-building for development collaboration and joint venture. There should be positive measures to resolve border disputes. Their border disputes need a permanent solution. Currently, China is the largest trading partner of India, while in the case of South Asia, China-India were the largest trading partners instead of their rivalry. Both states also need to take positive measures and open companies from each other side for growth perspectives.

Both states look for a healthier, sustainable and competent way for their growing economic ties. India and China states leaders frequently meet each other on multilateral forums like Shanghai Cooperation Forum (SCO), World Trade Organization (WTO), G-20 and world emerging economies forum Brazil, Russia, India, China and South Africa (BRICS) on different matters like food and energy security and reconstructed of world economic design. In the global political scenario, it is important for both states to work together and to handle their differences. It must be a way forward for them to have a constructive and positive way to deal with different situations.

Reference

- Abdenur, A. E., & Folly, M. (2015). The new development bank and the institutionalization of the BRICS. *BRICS-Studies and Documents*, 77-111.
- Bajpae, C. (2015). China-India Regional Dimensions of the Bilateral Relationship. *Strategic Studies Quarterly*, 9(4).
- Bajpai, K., Huang, J., & Mahubani, K. (2015). China-India relations: Cooperation and conflict: *Routledge*.
- Choudhury, G. (1990). China's Policy Toward South Asia. *Asian Perspective*, 127-156.
- Commerce, M. o. (2016). China's Investment in India. *China*. <http://english.mofcom.gov.cn/article/statistic/>.
- Devadason, E. S. (2012). Enhancing China-India Trade Cooperation: Complementary Interactions? *China Review*, 59-83.
- Godbole, A. (2014). Chinese President Xi Jinping's Visit to India: An Assessment. *CLAWS Journal*, 140-145.
- Guoyou, S. (2019). China's debates on economic diplomacy. In *Chinese Scholars and Foreign Policy* (pp. 173-189): *Routledge*.
- Khokhar, A. Y. (2011). Sino-Indian relations: implications for Pakistan. *Institute of Strategic Studies. Islamabad*.
- Lampton, D. M. (2001). The making of Chinese foreign and security policy in the era of reform, 1978-2000: *Stanford University Press*.
- Laurenceson, J., & Chai, J. C. (2003). Financial reform and economic development in China: *Edward Elgar Publishing*.
- Lim, A. C.-H. (2016). The China-Pakistan Economic Corridor One Year On-Analysis. *Eurasia Review: A Journal of Analysis and News*.
- Nye Jr, J. S., Biedenkopf, K. H., & Shina, M. (1991). Global Cooperation After the Cold War: A Reassessment of Trilateralism: a Task Force Report to the Trilateral Commission (41): *Trilateral Commission*.
- Panagariya, A. (2013). India and China: trade and foreign investment. *Economic reform in India: Challenges, prospects, and lessons*, 96.
- Panda, R., Sethi, M., & Kumaran, M. (2016). A study of bilateral trade flows of China and India. *Indian Journal of Science and Technology*, 9(15).
- Rana, K. S. (2015). Prime Minister Narendra Modi's Visit to China, May 2015. *China Report*, 51(4), 327-338.
- Roy, A. K., & Bagchi, A. (2007). A Clashing Viewpoint Concerning India: A Critique of Goldman Sachs 2007 Report. *Journal for Global Initiatives*, 3(1), 57-64.
- Roy-Chaudhury, R. (2016). Modi's approach to China and Pakistan. what does India think.
- Saez, P. L. (January 2016/Interview) China economic interdependence/Interviewer: S. Jaleel.
- Saleem, K. (2013). China's policy towards South Asia—An appraisal. *China and Asia*, 8, 16.
- Segal, G., & Yang, R. (2013). Chinese economic reform: the impact on security: *Routledge*.
- Shambaugh, D., & Shambaugh, D. L. (2005). Power shift: China and Asia's new dynamics: *Univ of California Press*.
- Sharma, A., & Narain, A. (2016). India's Foreign Policy: Big Shift or Pragmatic Makeover? *RSIS Commentary*(038-25).
- Singh, B. K. (2010). Energy security and India-China cooperation. International Association for Energy Economics, available at <http://www.iaee.org/en/publications/fullnewsletter.aspx>.
- Singh, S. (2005). China-India Bilateral Trade: Strong Fundamentals, Bright Future. *China Perspectives*, 2005(62).
- Singh, S. (2008). India-China Relations: Perception, Problems, Potential. *South Asian Survey*, 15(1), 83-98.
- Singh, S. (2015). Is China driving PM Modi's "good neighborly" foreign policy?
- Sisodia, N. S., & Bhaskar, C. U. (2005). Emerging India: security and foreign policy perspectives: *Bibliophile South Asia*.
- Small, A. (2015). The China Pakistan axis: Asia's new geopolitics: *Random House India*.
- Sornarajah, M., & Wang, J. (2010). China, India and the international economic order: *Cambridge University Press*.
- Strauss, P. J. C. (January 2016/Interview) China Economic Reforms/Interviewer: s. Jaleel.
- Tandon, A. (2016). India's foreign policy priorities and the emergence of a Modi doctrine. *Strategic Analysis*, 40(5), 349-356.

- Tierney, M. J. (2014). Rising powers and the regime for development finance. *International Studies Review*, 16(3), 452-455.
- Wagner, C. (2016). The Role of India and China in South Asia. *Strategic Analysis*, 40(4), 307-320.
- Walt, S. M. (1985). Alliance formation and the balance of world power. *International security*, 9(4), 3-43.
- Wu, Y., & Zhou, Z. (2006). Changing bilateral trade between China and India. *Journal of Asian Economics*, 17(3), 509-518.
- Ying, R. (2018). The Modi Doctrine and the future of China-India relations. *China Int'l Stud.*, 68, 26.
- Zhongping, F., & Jing, H. (2014). China's Strategic Partnership Diplomacy.
- Zhou, W. (2014). Comparing the economic growth of China and India: Current situation, problems, and prospects. *World Review of Political Economy*, 5(4), 455-471.
- Zhu, Z. (2011). China-India Relations in the 21 st Century: A Critical Inquiry. *Indian Journal of Asian Affairs*, 1-16.