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BILATERAL RELATIONS TO EXPORT AND IMPORT POWER BETWEEN INDIA AND CHINA

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ABSTRACT

The economic relations and international trade have assumed a considerable significance because of the key role they play in accelerating the pace of development and growth. The subject has since occupied Centre stage in the wake of recent worldwide economic development and growth. The successful conclusion of the prolonged GATT (General Agreement on Tariffs and Trade) at WTO (World Trade Organization) in 1995, multilateral trade negotiations and the thrust on globalization in the Third World has created unprecedented developments, which have exercised a profound impact on international trade. The Globalization, economic liberalization, structural reforms, and global integration have become a common phenomenon in the developing countries in recent years. In their efforts to activate international competitiveness in exports and to integrate their economies in the global economy, developing nations have started liberalizing their trade regimes and opening their markets for foreign competition. India's total trade with China in 2021 was worth \$125.7 billion. The sharp uptick in imports on a large base has pushed India's trade deficit with China to a record high \$69.4 billion in 2021, up from \$45.9 billion in 2020 and \$56.8 billion in 2019. Some of India's key imports from China include smartphones, components for smartphones and automobiles, telecom equipment, plastic and metallic goods, active pharmaceutical ingredients (APIs), and other chemicals. Experts have noted that players in the Indian electronic goods space are still largely focused on the assembly of products and did not have much discretion in sourcing of components. India's exports to China grew to \$28.1 billion in calendar year 2021, up 34.9 per cent from exports worth \$20.9 billion in 2020, which was impacted by Covid-19 related restrictions, according to Chinese government data. India's exports to China in 2020 were 56.5 per cent higher than exports in 2019, which was not impacted by the pandemic. Raw material exports constitute a significant portion of India's outbound trade with China with iron ore, organic

chemicals and cotton figuring among key export items. Other key exports to China include iron and steel, seafood and engineering goods.

INTRODUCTION

India and China are two of the world's oldest civilizations with a history of close contacts. Buddhism arrived into China from India. Two Indian Buddhist monks-kasyapa Matanga and Dharmaratna went to China in 65 A.D. The Golden period of Buddhist influence in China lasted for 8 centuries from the 5th to 12th century A.D. The Tang dynasty in China played an important role in the promotion of Buddhism. Among the well-known Chinese scholars who visited India were Fa Hien (early part of 5th century A.D.), Xuan Sang (633 to 643 A.D.) and Yi Aing (673-695). However, the first travelers from China to India were not Buddhist scholars. They were traders who came from South Western China to Northern India. The Chinese travelers introduced silk vermilion and items made of Chinese bamboo. For almost a decade few slogans were more popular or more uncritically accepted in India than the one which described the Indians and the Chinese as brothers Hindi Chini Bhai Bhai. In fact, it was more than a mere slogan and constant reiteration of which had almost turned it into an article of national faith.

The leaders, platform speakers and columnists all swore by the age-old, historic and external friendship between India and China. China and India established diplomatic relations on April 1, 1950. India was the second country to establish diplomatic relations with China among the non-socialist countries. In 1954, Chinese Premier Chou Enlai and Indian Prime Minister Pandit Jawaharlal Nehru exchanged visits and jointly initiated the famous five principles of peaceful coexistence (Panchsheela).

The history of India-China relations has gone through a tortuous process. Initially there was friendship, but it was followed by confrontation. The two countries became engaged in an armed conflict, the memory of which even after more than four decades is yet to be completely wiped out. The confrontation was followed by détente which in turn was followed by normalization of relations. The ambassadorial relations were restored in 1976. From 1981 the two countries have been engaged in border talks. But in spite of protracted negotiations which have been going on for more than a quarter of a century, India and China have not been able to settle the problem. Some progress may have been made in these negotiations, but a resolution of the problem still seems to be quite far off.

Indian Prime Minister Rajiv Gandhi's visit to China in December 1988 facilitated a warming trend in relations. The two sides issued a joint statement that stressed the need to restore friendly relations on the basis of Panchsheela and noted the importance of the first visit by an Indian Prime Minister to China since Nehru's visit in 1954. India and China agreed to broaden bilateral ties in various areas, working to activate fair and reasonable settlement while seeking a mutually acceptable solution to the border dispute.

India-China bilateral trade was initiated in 1951. In 1954, the Governments of the two nations endorsed a trade agreement, which was renewed in August 1984. The bilateral trade between China and India has been

developing rapidly with trade volume increasing continuously and variety of exchanging commodities gradually expanding. Since 1999 interactions between the economic and trade circles of China and India have been expanding and the bilateral trade volume has grown even faster. India has become China's largest trading partner in South Asia.

The economic relations and international trade have assumed a considerable significance because of the key role they play in accelerating the pace of development and growth. The subject has since occupied Centre stage in the wake of recent worldwide economic development and growth. The successful conclusion of the prolonged GATT (General Agreement on Tariffs and Trade) at WTO (World Trade Organization) in 1995, multilateral trade negotiations and the thrust on globalization in the Third World has created unprecedented developments, which have exercised a profound impact on international trade. The Globalization, economic liberalization, structural reforms, and global integration have become a common phenomenon in the developing countries in recent years. In their efforts to activate international competitiveness in exports and to integrate their economies in the global economy, developing nations have started liberalizing their trade regimes and opening their markets for foreign competition. The process of structural reforms or economic liberalization encompasses relaxation in their economic, industrial, fiscal and financial trade policies.

India and China are no exception to it. The trends toward liberalization in the Indian economy were well apparent during 1980, but took concrete shape in the mid-1991 when the economic condition of the country, especially the external sector, turned unmanageable. The Indian Government had no option but to commence the full-fledged macro-economic reforms and structural adjustment in order to bring the economy back to the normal situation and to speed up the pace of development. The economic reforms embraced vital sectors of the economy and consequently industrial, fiscal, monetary, financial and external policies underwent a sea change.

POLITICAL RELATIONS

On 1 April, 1950, India became the first non-socialist bloc country to establish diplomatic relations with the People's Republic of China. Prime Minister Nehru visited China in October 1954. While, the India-China border conflict in 1962 was a serious setback to ties, Prime Minister Rajiv Gandhi's landmark visit in 1988 began a phase of improvement in bilateral relations. In 1993, the signing of an Agreement on the Maintenance of Peace and Tranquility along the Line of Actual Control (LAC) on the India-China Border Areas during Prime Minister Narasimha Rao's visit reflected the growing stability and substance in bilateral ties.

VISITS OF HEADS OF STATES/HEADS OF GOVERNMENTS

The Cumulative outcomes of the recent high level visits have been transformational for our ties. During Prime Minister Atal Bihari Vajpayee's visit in 2003, India and China signed a Declaration on Principles for Relations and Comprehensive Cooperation and also mutually decided to appoint Special Representatives (SRs) to explore the framework of a boundary settlement from the political perspective. During the April 2005 visit of Premier Wen Jiabao, the two sides established a Strategic and Cooperative Partnership for Peace and Prosperity, while the signing of an agreement on Political Parameters and Guiding Principles, signaled the successful conclusion of the first phase of SR Talks. During the State Visit of Chinese President Mr. Xi Jinping to India from 17 to 19 September 2014, a total of 16 agreements were signed in various sectors including, commerce & trade, railways, space -cooperation, pharmaceuticals, audio-visual coproduction, culture, establishment of industrial parks, sister-

city arrangements etc. The two sides also signed a MoU to open an additional route for Kailash Mansarovar Yatra through Nathu La. The Chinese side agreed to establish two Chinese Industrial Parks in India and expressed their intention to enhance Chinese investment in India. Prime Minister Narendra Modi visited China from May 14-16, 2015. Besides meeting with the Chinese leadership, Prime Minister Modi and Premier Li also addressed the opening session of the First State/Provincial Leaders' Forum in Beijing. There were 24 agreements signed on the government -to-government side, 26 MoUs on the business-to-business side and two joint statements, including one on climate change. Prime Minister also announced the extension of the e-visa facility to Chinese nationals wishing to travel to India. The momentum of meetings at the leadership level continued in 2016 too. President Pranab Mukherjee made a state visit to China from May 24 to 27, 2016. He visited Guangdong and Beijing where he met with the Chinese leadership. President also delivered a keynote address at the Peking University and attended a Round Table between Vice Chancellors and Heads of institutions of higher learning of the two countries. Ten MoUs providing for enhanced faculty and student exchanges as well as collaboration in research and innovation were concluded between the higher education institutions of the two countries. Prime Minister Narendra Modi visited China in September 2016 to participate in the G20 Summit in Hangzhou and September 2017 to participate in the BRICS Summit in Xiamen, where he also held bilateral talks with President Xi Jinping. President Xi Jinping visited India in October 2016 to participate in the BRICS Summit in Goa. The two leaders also met along the sidelines of the SCO Heads of States Summit in Tashkent in June 2016 and in Astana in June 2017.

OTHER HIGH LEVEL VISITS AND MECHANISMS

India and China have established more than thirty dialogue mechanisms at various levels, covering bilateral political, economic, consular issues as well as dialogues on international and regional issues. The Foreign Ministers have been meeting regularly. Chinese Foreign Minister Wang Yi travelled to India from 12-14 August, 2016 during which he met with EAM and called on Prime Minister. The mechanism of Special Representatives on the Boundary Question was established in 2003. The 19th round of talks between Shri Ajit Doval, National Security Advisor and Mr. Yang Jiechi, State Councillor was held in Beijing in April, 2016. State Councillor Yang Jiechi also visited India in November 2016 where he met with NSA for informal strategic consultations. The 1st reconstituted Strategic Dialogue between Foreign Secretary, Mr. S Jaishankar and the Chinese Executive Vice Foreign Minister Mr. Zhang Yesui was held in February 2017. India and China have also established a High Level Dialogue Mechanism on Counter Terrorism and Security, led by Mr. R.N. Ravi, Chairman (JIC) and Mr. Wang Yongqing, Secretary General of the Central Political and Legal Affairs Commission of China. The first meeting of the mechanism was held in Beijing in September 2016. To facilitate high level exchanges of Party leaders from China and State Chief Ministers from India, a special arrangement has been entered into by the International Liaison Department of the Central Committee of the Communist Party of China and the Ministry of External Affairs (MEA-IDCPC) since 2004. There are regular Party-to-Party exchanges between the Communist Party of China and political parties in India. In order to facilitate exchanges between Indian states and Chinese provinces, the two sides have also established a States/Provincial Leaders Forum.

COMMERCIAL AND ECONOMIC RELATIONS

The Trade and Economic Relationship between India and China has seen a rapid growth in the last few years. Trade volume between the two countries in the beginning of the century, year 2000, stood at US\$ 3 billion. In

2008, bilateral trade reached US\$ 51.8 billion with China replacing the United States as India's largest "Goods trading partner." In 2011 bilateral trade reached an all-time high of US\$ 73.9 billion.

THE STATE OF PLAY

According to recently released data by Chinese Customs, India-China trade in 2016 decreased by 0.67% year-on-year to US\$ 71.18 billion. India's exports to China decreased by 12.29% year-on-year to US\$ 11.748 billion while India's imports from China saw a year-on-year growth of 2.01% to US\$ 59.428 billion. The Indian trade deficit with China further increased by 6.28% year-on-year to US\$ 47.68 billion. In 2016, India was the 7th largest export destination for Chinese products, and the 27th largest exporter to China. India-China trade in the first eight months of 2017 increased by 18.34% year-on-year to US\$ 55.11 billion. India's exports to China increased by 40.69% year-on-year to US\$ 10.60 billion while India's imports from China saw a year-on-year growth of 14.02 % to US\$ 44.50 billion. The Indian trade deficit with China further increased by 7.64% year-on-year to US\$ 33.90 billion.

COMPOSITION OF BILATERAL TRADE

In 2016, India's top exports to China included diamonds, cotton yarn, iron ore, copper and organic chemicals. Indian exports of diamonds grew 28.48% and amounted to US\$ 2.47 billion. India was the second largest exporter of diamonds (worked/not worked) to China (with a share of 31.81%). India's cotton (including yarn and woven fabric) exports to China showed a decline of 44.1% to reach US\$ 1.27 billion, although India was the second largest exporter of cotton to China with 16.43% market share. In 2016, Indian exports of iron ore registered an increase of over 700% to reach US\$ 844 million. In 2016, China exports of electrical machinery and equipment saw an increase of 26.83% to US\$ 16.98 billion. India was the largest export destination of Fertilizers exports from China. China exported 23.48% of its total Fertilizers (worth US\$ 1.54 billion) to India. India was the largest export destination for Chinese Antibiotics worth US\$ 711 million in 2016, with a share of 23.55%. India was the second largest export destination for Chinese organic chemicals, worth US\$ 5.68 billion in 2016. Seven Indian Banks have a branch of representative office in China. Chinese bank, ICBC has one branch in India in Mumbai. According to data released by China's Ministry of Commerce, the Chinese investment in India in Jan-Mar 2017 were to the tune of US\$ 73 million. Cumulative Investment in India till March 2017 stood at US\$ 4.91 billion. The cumulative Indian investment in China till March 2017 reached US\$ 705 million. More recently, in April 2017, e-business visa has been introduced to encourage more number of business people from China travelling to India. The India-China Economic and Commercial Relations are shaped through various dialogue mechanism such as Joint Economic Group led by the Commerce Ministers of both sides, Strategic Economic Dialogues led by the Vice Chairman of NITI Ayog and the Chairman of National Development and Reform Commission of China, the NITI Ayog and the Development Research Center Dialogue and the Financial Dialogue led by Secretary Department of Economic Affairs of India and Vice Minister, Ministry of Finance of PRC. Some of the other institutionalized dialogue mechanisms between the two countries include the Joint Working Group (JWG) on Trade, JWG on Collaboration in Skill Development and Vocational Education, Joint Working Group on Information and Communication Technology & High-Technology, Joint Study Group and Joint Task Force on Regional Trading Agreement (RTA), India-China Joint Working Group on Agriculture, India-China Joint Working Group on Cooperation in Energy and the Joint Study Group on BCIM Economic Corridor.

CULTURAL RELATIONS

India-China cultural exchanges date back to many centuries and there is some evidence that conceptual and linguistic exchanges existed in 1500-1000 B.C. between the Shang-Zhou civilization and the ancient Vedic civilization. During first, second and third centuries A.D. several Buddhist pilgrims and scholars travelled to China on the historic "silk route". Kashyapa Matanga and Dharmaratna made the White Horse monastery at Luoyang their abode. Ancient Indian monk-scholars such as Kumarajiva, Bodhidharma and Dharmakshema contributed to the spread of Buddhism in China. Similarly, Chinese pilgrims also undertook journeys to India, the most famous among them being Fa Xian and Xuan Zang. As a mark of the historical civilizational contact between India and China, India constructed a Buddhist temple in Luoyang, Henan Province, inside the White Horse Temple complex which was said to have been built in honour of the Indian monks Kashyapa Matanga and Dharmaratna.

The temple was inaugurated in May 2010 by President Pratibha Patil during her visit to China. Besides this, in February 2007, the Xuanzang memorial was inaugurated at Nalanda. In June 2008, joint stamps were released, one stamp depicting the Mahabodhi temple at Bodhgaya and the other depicting the White Horse temple at Luoyang. In order to further academic exchanges, a Centre for Indian studies was set up in Peking University in 2003. Chairs of Indian Studies/Hindi have also been established in Shenzhen University, Jinan University, Fudan University, Guangdong University and in Shanghai International Studies University. Indian Bollywood movies were popular in China in the 1960s and 1970s and the popularity is being rekindled in recent times again. India and China have entered into an agreement on co-production of movies, the first of which based on the life of the monk Xuan Zang hit the theaters in 2016. Yoga is becoming increasingly popular in China. China was one of the co-sponsors to the UN resolution designating June 21 as the International Day of Yoga. During the visit of Prime Minister Narendra Modi to China in May 2015, a Yoga-Taichi performance in the world heritage site of Temple of Heaven was witnessed by Premier Li Keqiang and the Prime Minister. During the same visit, an agreement was signed to establish a Yoga College in Kunming, Yunnan Province. In recent events, on 20 June 2017, eve of International Day of Yoga, a successful Yoga@Great Wall event was organized at the Juyongguan section of the Great Wall. Minister of State for External Affairs Gen. (Dr) VK Singh (Retd) attended the event. Colors of India Festival showcasing a unique blend of Indian performing arts, Bollywood movies and Indian photography was held from 15-26 May, 2017 at Beijing and Nanjing. The 2nd International Conference of Indologists-2016 was successfully held at Shenzhen from 11-13 November 2016. The Conference saw participation of more than 75 Indologists from world over including China, Germany, Thailand, Chile and India. An exhibition of Gupta Art at the Palace Museum in Beijing, titled "Across the Silk Road: Gupta Sculptures and their Chinese Counterparts, 400-700 CE" featuring 56 Indian sculptures was held in year 2016.

EDUCATION RELATIONS

India and China signed Education Exchange Programme (EEP) in 2006, which is an umbrella agreement for educational cooperation between the two countries. Under this agreement, government scholarships are awarded to 25 students, by both sides, in recognized institutions of higher learning in each other's country. The 25 scholarships awarded by India are offered by Indian Council for Cultural Relations (ICCR). During the visit of Prime Minister Sh. Narendra Modi to China, both the countries have signed fresh Education Exchange Programme (EEP) on May 15, 2015. The same provides for enhanced cooperation between institutions in the

field of vocational education; collaboration between Institutes of higher learning, etc. 25 Chinese students have been selected to join Hindi language course for the academic year 2017-18 under EEP scholarship awarded by ICCR. Apart from this, Chinese students are also annually awarded scholarships to study Hindi at the Kendriya Hindi Sansthan, Agra to learn Hindi. For the year 2017-18, 5 Chinese students have been selected to study in Agra under this scheme. The cooperation in the education sector between the two sides has resulted in an increase in the number of Indian students in China. During the Academic Year 2016-17 there were 18171 Indian students studying in various universities in China in various disciplines. Shri Prakash Javadekar, Minister of Human Resource Development, attended BRICS Ministers of Education on 5th July, 2017 at Beijing, China. In his speech, he appreciated the creation of institutional mechanism in the form of BRICS Network University and BRICS Think Tank Council. BRICS Network University, where 12 universities from each of the 5 countries will engage with each other in education research and innovation, is another commendable initiative. Five areas of cooperation are prioritised which are Communication and IT, Economics, Climate Change, Water Resources and Pollution, and BRICS study. India will participate whole-heartedly in all these cooperative efforts. The Embassy maintains regular communication with MoE in China as well as all universities where there are a sizeable number of Indian students. Further, Embassy officials also visit universities to not only establish direct contact with university authorities but also to interact with the Indian students. Students are encouraged to approach the Embassy in case they are faced with serious problems. For this purpose, the mobile number and email address of Minister (Education/Consular) and email address of Second Secretary (Education) is provided on the Embassy website. The Mission has also launched a social media account on Wechat for Indian students, with the objective to make it easy for them to reach out to the Embassy as well as to link them to other fellow Indian students studying in different cities of China.

Indian economy grew at the rate of over 5.5% throughout the last decade of 20th century. As the incomes of the individuals grew, their demand of fast moving consumer goods (FMCG) products increased rapidly. The growth in the first decade of 21st century was more or less more than 6.2%. With more income the demand for consumer manufactures increased at fast rate because income elasticity of these goods are always greater than unity. China exploited this boost in consumer demand of India and started supplying all kind of electronic gadgets, chemicals, base metals while Indian manufacturing remained a passive spectator throughout 2003-2018. In fact all the growth in India was biased in favour of services and other tertiary sector. Since 1991 manufacturing as a percentage of GDP has been hovering round 15% while agriculture has come down heavily from around 25% to 14%. Therefore India's manufacturing sector was out priced and outcompeted by Chinese counterpart. This lead to ever increasing deficit in Balance of Trade from around 2000 U.S. million dollar in 2003 to around 60 U.S. billion dollar per annum in 2017-18. It's true that China has a BOT surplus with almost all the countries including such giants as U.S., Canada, Australia and most countries of Europe. This is one reason why most countries of Europe, Africa and Latin America and North America do not want to enhance imports from China. U.S.-China trade war is a tip of an iceberg which may turn in to a fully-fledged trade war between Europe and China. As per economic theory equilibrium to attain where aggregate supply is equal to aggregate demand. While throughout 1980's and 1990's and 2010 most part of the world enhanced aggregate demand while China created aggregate supply. This is not sustainable and hence slowing down of Chinese economy. Merchantalist system approached by China is neither sustainable nor desirable so Chinese market should create aggregate demand. But even today China does not open its economy for foreign suppliers

although it started producing more for countrymen but slowing of exports has slowed down Chinese economy and reducing income and aggregate spending is affecting China. With respect to India, China must rethink and change its trade strategy. \$ 60 billion per annum deficit is not sustainable and if U.S.-China trade war continues it would further try to dump its goods to India which India cannot allow. India itself has begun ambitious Make in India program to boost manufacturing and reduce manufacturing imports. In following paragraphs India's top ten exports to China and India's top ten imports from China are discussed in detail along with future prospects.

Table-1
India's Balance of Trade from 2004-2017

Year	Goods Export to China (US Million \$)	Goods Import from China(US Million \$)	Trade Balance(U S Million \$)	India China Bilateral Trade(U.S. Million \$)	Ratio of India China Bilateral Trade in Respect to India's Total Bilateral Trade
2004	4100	6100	-2000.00	10200	7.18
2005	7200	10200	-3000.00	17400	8.92
2006	7800	15600	-7800.00	23400	9.28
2007	9500	24600	- 15100.00	34100	10.92
2008	10100	31600	- 21500.00	41700	10.08
2009	10400	30600	- 20200.00	41000	8.38
2010	17400	41200	- 23800.00	58600	12.54
2011	16700	55500	- 38800.00	72200	11.63
2012	14700	54100	- 39400.00	68800	8.65
2013	16400	51600	- 35200.00	68000	8.60
2014	13400	58200	- 44800.00	71600	9.36
2015	9600	61600	- 52000.00	71200	9.39
2016	8900	60500	- 51600.00	69400	10.79
2017	12500	71900	- 59400.00	84400	12.78

Source- UNCOMTRADE

The India's total trade with China in 2021 was worth \$125.7 billion. The sharp uptick in imports on a large base has pushed India's trade deficit with China to a record high \$69.4 billion in 2021, up from \$45.9 billion in 2020 and \$56.8 billion in 2019. Some of India's key imports from China include smartphones, components for smartphones and automobiles, telecom equipment, plastic and metallic goods, active pharmaceutical ingredients (APIs), and other chemicals. Experts have noted that players in the Indian electronic goods space are still largely focussed on the assembly of products and did not have much discretion in sourcing of components. Officials at the Commerce Ministry have, however, pointed out earlier in this fiscal that growth in India's trade with other key trading partners including the US, UAE and Australia was even higher than the growth in trade with China. India is currently in the process of negotiating Free Trade Agreements (FTAs) with the UAE, EU, UK and Australia.

THE GROWTH OF INDIAN EXPORTS TO CHINA

India's exports to China grew to \$28.1 billion in calendar year 2021, up 34.9 per cent from exports worth \$20.9 billion in 2020, which was impacted by Covid-19 related restrictions, according to Chinese government data. India's exports to China in 2020 were 56.5 per cent higher than exports in 2019, which was not impacted by the pandemic. Raw material exports constitute a significant portion of India's outbound trade with China with iron ore, organic chemicals and cotton figuring among key export items. Other key exports to China include iron and steel, seafood and engineering goods.

THE GOVERNMENT LOOKING TO CURB IMPORTS FROM CHINA

In June 2020, Indian and Chinese militaries clashed in Ladakh's Galwan Valley. Soon after, the Power Ministry imposed a de facto ban on the import of power equipment from China citing cyber security concerns. The government also asked state-owned telecommunication companies, BSNL and MTNL, to exclude Chinese telecom equipment firms including Huawei and ZTE from its network upgrading process. The government also modified foreign direct investment (FDI) rules making the Centre's approval a must for any FDI in Indian firms from neighbouring countries apparently aimed at preventing opportunistic takeovers of domestic firms by Chinese companies during the pandemic. India has also tightened a watch on dumping of goods from China in India. In December 2021 India imposed anti-dumping duties on five Chinese products, including certain aluminium goods and chemicals, for five years to protect local manufacturers.

CONCLUSION

Indian Prime Minister Rajiv Gandhi's visit to China in December 1988 facilitated a warming trend in relations. The two sides issued a joint statement that stressed the need to restore friendly relations on the basis of Panchsheel and noted the importance of the first visit by an Indian Prime Minister to China since Nehru's visit in 1954. India and China agreed to broaden bilateral ties in various areas, working to activate fair and reasonable settlement while seeking a mutually acceptable solution to the border dispute. Indian economy grew at the rate of over 5.5% throughout the last decade of 20th century. As the incomes of the individuals grew, their demand of fast moving consumer goods (FMCG) products increased rapidly. The growth in the first decade of 21st century was more or less more than 6.2%. With more income the demand for consumer manufactures increased at fast rate because income elasticity of these goods are always greater than unity. China exploited this boost in consumer demand of India and started supplying all kind of electronic gadgets, chemicals, base metals while Indian

manufacturing remained a passive spectator throughout 2003-2018. In fact all the growth in India was biased in favour of services and other tertiary sector. Since 1991 manufacturing as a percentage of GDP has been hovering round 15% while agriculture has come down heavily from around 25% to 14%. Therefore India's manufacturing sector was out priced and outcompeted by Chinese counterpart. This lead to ever increasing deficit in Balance of Trade from around 2000 U.S. million dollar in 2003 to around 60 U.S. billion dollar per annum in 2017-18.

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