



## TRADE RELATIONSHIP OF INDIA AND CHINA: ISSUES AND CHALLENGES

### Commerce

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### ABSTRACT

Globalisation has benefited some and this advantage others. The accelerated pace of development have resulted lot of tension and conflicts in many countries especially India and China. Although, in the past Indo-China shared a very positive trade relations which resulted in significant economic growth between both the countries but late 1950's saw a bitter relationships between the two due to war. In the 21<sup>st</sup> century both China and India are emerging as economic, political and even military powers thus, both the countries have to realise that they both can become superpowers of the world by resolving the conflicts between them and contribute towards each other economic growth. This paper focuses on Indo-China relations via silk-Route and open integration between world's two largest developing countries.

### KEYWORDS

Promotion, Economic growth, Trade relations, Integration

### INTRODUCTION

The Silk Road or Silk Route was an ancient network of trade routes to boost cultural interaction through regions of the Asian continent connecting the East and West and stretching from the Korean peninsula and Japan to the Mediterranean Sea. The Silk Road derives its name from the lucrative trade in silk beginning during the Han dynasty (207 BCE – 220 CE). The Han dynasty expanded Central Asian sections of the trade routes around 114 BCE, largely through missions and explorations of the Chinese imperial envoy, Zhang Qian. The Chinese took great interest in the safety of their trade products and extended the Great Wall of China to ensure the protection of the trade route.

The Silk Road played a significant role in the development of the civilizations of China, the Goguryeo kingdom (Korea), Japan, the Indian subcontinent, Persia, Europe, the Horn of Africa and Arabia which helps in political and economic relations between the civilizations. Though silk was certainly the major trade item exported from China, many other goods were traded, as well as religions, syncretic philosophies, and various technologies. Diseases, most notably plague, also spread along the Silk Routes. In addition to economic trade, the Silk Road was a route for cultural trade among the civilizations along its network.

The main traders during antiquity included In June 2014, UNESCO designated the Chang'an-Tianshan corridor of the Silk Road as a world heritage site The Chinese traded silk via silk route with the rest of the world. The route helps in the transfer of knowledge, culture and religion across countries.

### INDO-CHINA RELATIONSHIP BEFORE 1962

A China-India relation, also called Sino-Indian relations or Indo-China relations, refers to the bilateral relationship between the People's Republic of China (PRC) and the Republic of India. Historically, India and China have had relations for more than 2,000 years, but the modern relationship began in 1950 when India was among the first countries to end formal ties with the Republic of China (Taiwan) and recognize the PRC as the legitimate government of Mainland China. China and India are the two most populous countries and fastest growing major economies in the world. Growth in diplomatic and economic influence has increased the significance of their bilateral relationship.

Cultural and economic relations between China and India date back to ancient times. The Silk Road not only served as a major trade route between India and China, but is also credited for facilitating the spread of Buddhism from India to East Asia. During the 19th century, China's growing opium trade with the British Raj triggered the First and Second Opium Wars. During World War II, India and China both played a crucial role in halting the progress of Imperial Japan.

### SINO INDIAN WAR 1962

Relations between contemporary China and India have been characterised by border disputes, resulting in three military conflicts — the Sino-Indian War of 1962, the Chola incident in 1967, and the 1987 Sino-Indian skirmish.

Despite growing economic and strategic ties, there are several hurdles for India and the PRC to overcome. India faces trade imbalance heavily in favour of China. The two countries failed to resolve their border dispute and Indian media outlets have repeatedly reported Chinese military incursions into Indian territory. Both countries have steadily established military infrastructure along border areas. Additionally, India remains wary about China's strong –strategic bilateral relations with Pakistan, while China has expressed concerns about Indian military and economic activities in the disputed South China Sea.

In June 2012, China stated its position that "Sino-Indian ties" could be the most "important bilateral partnership of the century". However, India did not respond that initiative from China in equal terms, as Indian media often displayed a noisy and belligerent stand against China.

According to a 2014 BBC World Service Poll, 33% of Indians view China positively, with 35% expressing a negative view, whereas 27% of Chinese people view India positively, with 35% expressing a negative view. A 2014 survey conducted by the Pew Research Centre showed 72% of Indians were concerned that territorial disputes between China and neighbouring countries could lead to a military conflict.

### PRESENT STATUS OF INDIA CHINA RELATIONS

#### Prime Minister's visit to China (May 2015)

Prime Minister Narendra Modi visited China from May 14-16, the visit was rich in symbolism and substance and it opened up a new chapter in India-China relations. For the first time, Chinese President Xi Jinping travelled outside Beijing to receive a foreign leader, in Xi'an in his home province of Shaanxi. President Xi also accompanied Prime Minister to the Big Wild Goose Pagoda and organized a grand welcome ceremony at the Xi'an city wall. Premier Li Keqiang joined Prime Minister at the Yoga-Taichi performance in Beijing on 15 May with the world heritage site of Temple of Heaven as the backdrop, the first ever such event, which highlighted the cultural connectivity between the two countries.

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. The fact that India and China could come up with over 50 outcome documents in just eight months reveals the huge potential that exists between our two countries, as well as the efforts that we have made to elevate our partnership. The inter-governmental agreements covered, as Premier Li said, areas from the heaven to the earth! They included such diverse fields as space cooperation, earthquake engineering, ocean sciences, mining, railways, skill development, education, culture, Yoga, tourism and many more. The strength of our economic partnership could be gauged from the business events in Shanghai. Prime Minister interacted with 21 CEOs of leading Chinese companies and over 40 prominent Indian CEOs attended the Business Forum along with their counterparts from China. The 26 business understandings worth over

US\$ 22 billion signed at the Forum covered such varied sectors as industrial parks, renewable energy, thermal energy, telecommunication, steel, capital goods, IT and media. Besides, there was a clear consensus among the leaders of the two countries on correcting the existing imbalance in the bilateral trade and injecting sustainability into it. With this in mind, they agreed to establish a high-powered task force that will go into issues relating to the trade deficit as well as expansion of economic engagement.

There was, moreover, an action-oriented accord on broad-basing the bilateral partnership, as could be seen from the range of agreements signed and in the establishment of new dialogue mechanisms, such as the one between the DRC and the NITI Aayog and the Think Tanks' Forum, besides a bilateral consultative mechanism on WTO negotiations. Three new institutions were launched in partnership, the Centre for Gandhian and Indian Studies in Shanghai, Yoga College in Kunming, and National Institute for Skill Development and Entrepreneurship in Ahmedabad.

Both sides decided to establish new Consulates in each other's country, in Chengdu and Chennai and to expand our interactions at the sub-national level. Two agreements signed – one on cooperation between the Indian Ministry of External Affairs and the International Department of the Central Committee of the CPC and another on the establishment of a State/Provincial Leaders' Forum – reflect this understanding. Prime Minister Modi and Premier Li addressed the opening session of the new Forum in Beijing on 15 May, which is a significant initiative, considering that this is the first time that India has established such a dialogue mechanism with any country. A number of sister-city and sister-state relations agreements between: Karnataka and Sichuan, Chennai and Chongqing, Hyderabad and Qingdao, Aurangabad and Dunhuang were also signed.

Prime Minister also announced the extension of the e-visa facility to Chinese nationals wishing to travel to India. Prime Minister addressed university students at the Tsinghua University and also gave a speech at the reception hosted by the Indian community in Shanghai, the largest ever gathering of the community in the region.

The visit also went on to deliver a message to the international community on cooperation between India and China. There was agreement among the leaders that our relationship is poised to play a defining role in the 21<sup>st</sup> century in Asia and beyond, with the recognition that the simultaneous re-emergence of India and China as two major powers would have a profound impact on the course of this century. The Joint Statement has a separate section on “shaping the regional and global agenda” where India and China, as two major poles in the global architecture, agree to cooperate on a host of issues ranging from WTO, climate change and terrorism to regional organizations.

#### Other recent high level visits

Hon'ble Home Minister of India Sh. Rajnath Singh visited China from 18-23 November, 2015 and met with Minister of Public Security of China.

Hon'ble External Affairs Minister, Smt. Sushma Swaraj met Foreign Minister Wang Yi in June 2015 (on the sidelines of the international donors' conference in Kathmandu).

External Affairs Minister, Smt. Sushma Swaraj paid an official visit to the People's Republic of China from 1-3 February 2015 during which she met with Chinese President Xi Jinping, had formal talks with Foreign Minister Wang Yi and also had a meeting with Mr. Wang Jiarui, Minister of the International Department of the Central Committee of the Communist Party of China. External Affairs Minister also inaugurated the 2nd India-China High-Level Media Forum and attended the launch of Visit India Year during her stay in Beijing. On 2 February, EAM also participated in the 13th Foreign Ministers' Meeting of Russia-India-China Trilateral.

Hon'ble Minister for Environment and Forest Sh. ParakshJavdekar visited China in October 2015 to attend the 21<sup>st</sup> BASIC Ministerial Meeting on Climate Change.

Hon'ble Minister of State for External Affairs Gen. (Dr.) V.K.Singh (Retd.) visited China in September, 2015 and met with Foreign Minister Wang Yi and he also attended the SCO HOG Meeting in Zhengzhou on 14<sup>th</sup> December, 2015.

The 18th round of talks between the Special Representatives of India and China on the Boundary Question, Shri Ajit Doval, National Security Advisor and Mr. Yang Jiechi, State Councillor was held in New Delhi on 23 March, 2015. Both Sides agreed to take necessary steps to maintain peace and tranquillity in the border areas which is a pre-requisite for continued growth of bilateral relations. The two sides agreed to build on the momentum provided by President Xi's visit to further expand bilateral relations in areas such as railways, smart cities, vocational education, skill development, clean and renewable energy and manufacturing sector. Both sides agreed that growing linkages between Indian States and Chinese Provinces through sister-city and sister-province mechanism plays an important role in deepening bilateral ties. The two sides exchanged views on regional and global issues of mutual interest and agreed to enhance their consultations on counter-terrorism, maritime security, climate change, reform of United Nations and civil nuclear energy cooperation.

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 Department of the Central Committee of the Communist Party of China and the Ministry of External Affairs (MEA-ILD) since 2004. There are regular Party-to-Party exchanges between the Communist Party of China and political parties in India.

#### Commercial and Economic Relations

Trade and economic relationship has seen rapid progress in the last few years. India-China bilateral trade which was as low as US\$ 2.92 billion in 2000 reached US\$ 41.85 billion in 2008, making China India's largest trading partner in goods. By 2015, as per DGC&IS provisional data India-China bilateral trade stood at US\$ 70.4 billion. India's exports to China touched US\$ 8.86 billion whereas China's exports were US\$ 61.54 billion. However, India still faces a growing trade deficit vis-a-vis China. In 2015 trade deficit stood at US\$ 52.67 billion. Apart from trade, India is also one of the largest markets for project exports from China. Currently, projects under execution are estimated at over US\$ 63 billion. As per Chinese figures, cumulative Chinese investments into India till December 2014 stood at US\$ 2.763 billion while Indian investments into China were US\$ 0.564 billion.

#### Cultural Relations

India and China are not mere societies; they are civilizations. We do not know exactly when and how they started exchanging their cultural elements, but we do know that they grew in parallel and shared their cultural traits since the beginning of human history and this tradition of sharing has continued ever since.

Even before the advent of Buddhism, the Shang-Zhou civilization and the ancient Vedic civilization in 1500-1000 B.C. showed some evidence of conceptual and linguistic exchanges. For instance, "wumingzhi" (nameless finger) in Chinese is called "anamika" (nameless) in Sanskrit and in Pali. Similarly, some ancient Indian literature mentions "china's" referring to the Chinese people. The Mahabharata of the fifth century B.C. contains reference to China. Chanakya of the Maurya dynasty (350-283 B.C.) refers to Chinese silk as "chinamsuka" (Chinese silk dress) and "chinapatta" (Chinese silk bundle) in his Arthashastra. Likewise, the Record of the Grand Historian of Zhang Qian and Sima Qian has references to "Shendu", may be referring to "Sindhu" in Sanskrit.

In sixth century B.C., the birth of Confucius and Sakyamuni heralded a new period of exchanges between the two civilizations. Emperor Ashoka's propagation of Buddhism after his conversion in 256 B.C. brought both civilizations even closer. Ashoka's bilingual (Kharoshthi and Greek) edict points at extension of Buddhism in the direction of China and Central Asia. The trend continued in first century A.D. during emperor Kanishka's period. His empire, with its capital at Purushpura (now Peshawar in Pakistan), enabled Buddhist pilgrims and scholars to travel on the historic "silk route". Kashyapa Matanga and Dharmaratna made the White Horse monastery at Luoyang their abode. Along the silk route, Khotan Turpan and Kucha became prominent centers of Buddhism and India-China exchanges. The great scholar Kumarajiva initiated efforts to collect and translate important Buddhist texts at a great Buddhist conclave in Chang'an (present Xi'an) where he stayed until his death in 413 A.D. and managed to have 98 major Buddhist canonical works translated into Chinese. He is widely believed to be responsible for bringing in Mahayana Buddhism and Madhyamika doctrine into Chinese philosophy. In the beginning of the fifth century A.D., Dharmakshema, an Indian Buddhist scholar came

to China bringing with him the "Mahaparinirvana Sutra" which was translated into Chinese about the year 415 A.D. Meanwhile, the Chinese Pilgrim Fa Hein visited India along the Silk Route in 405 A.D. Batuo (464-495 A.D.) and Bodhidharma visited China; Xuan Zhang (604A.D.) and I Ching were students at the prestigious Nalanda University. All along, there is ample evidence of India-China cultural, commercial and technological exchange.

Both civilizations also shared scientific knowledge. In eighth century, Indian astronomer Aryabhata's astronomical signs were translated into Chinese in the book "KaiyuanZhanjing" compiled by Gautama Siddha, an astronomer in Chang'an of Indian descent. It is also believed that he translated the Nabagraha calendar into Chinese. During the Ming Dynasty, navigator General Zheng He's arrival at Calicut in early 15th century is also a testimony of China's ancient maritime linkage with India.

Exchanges between India and China continued during the days of India's struggle for self-governance. In early 20th century, Nobel laureate Rabindranath Tagore visited China twice, in 1924 and in 1929. Since 1911, Chinese scholars and intellectuals have been visiting and revisiting Tagore's life, works and philosophy.

Dr. Dwarkanath Kotnis sacrificed his life in the service of the Chinese people during the Sino-Japanese war. His mortal remains rest in the North China Martyrs' Memorial Cemetery in Hebei Province. A part of a 1938 medical team comprising five Indian doctors, he stayed in China working in mobile clinics to treat wounded soldiers. He was eventually appointed as Director of the Doctor Bethune International Peace Hospital built by the Eighth Route Army. On 2<sup>nd</sup> July 2015, Dr. Manorama Kotnis, the sister of Dr. Kotnis, passed away.

Both India and China began their journey of independent governance almost at the same time, India in 1947 and the People's Republic of China in 1949. In 1955, the first Indian cultural delegation headed by then Deputy Minister of External Affairs Mr. A. K. Chanda visited China which was warmly received by the Chinese leaders and people during their tour. In the 1960s and 1970s Bollywood movies such as Do Bigha Zameen, Awara and Sree 420 of Raj Kapoor and Noorie struck an emotional chord in the hearts and minds of the Chinese people. Even today, people on the street hum the tunes of the songs of these films. Movies like 'pk', 3 Idiots and The Life of Pi have been well received in recent times.

Since 1988 both countries are bringing their people together through structured Cultural Exchange Programmes. The latest CEP signed in October 2013 during the visit of then Prime Minister Manmohan Singh's to China, provides for cooperation in a gamut of cultural fields including exchanges of visits of performing artists, officials, writers, archivists and archaeologists, organizing cultural festivals, film festivals and exchanges in the field of mass media, youth affairs and sports.

In 2003, Prime Minister Vajpayee had committed to build an Indian style Buddhist temple in Luoyang, Henan province and President Pratibha Devisingh Patil inaugurated the temple during her visit to China in May 2010. 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. 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. The 60th anniversary of the establishment of India-China diplomatic relations was celebrated with much fanfare in both countries in 2010.

Exchange of Youth delegation between Indian and China has been continuing since 2007. During the visit of Chinese President Hu Jintao to India in November 2006, the two sides had agreed to launch a five year programme for mutual exchange of youth delegation. In this context, the China had invited five hundred youth from India over the next five years. Later, during the visit Chinese Premier Wen Jiabao to India in December 2010, the two sides agreed to continue youth exchange activities in next five years. Reciprocal visits were also paid by the Chinese side each year. During the visit of President Xi to India in September 2014 the two sides recognizing the significance of youth exchanges in increasing mutual understanding, the two sides agreed to

continue with the annual exchange of 200 youth from 2015 to 2019.

During the visit of Prime Minister Dr Manmohan Singh and Premier Li Keqiang in 2013 the leaders designated 2014 as the Year of Friendly Exchanges between India and China. To mark this special year, Glimpses of India Festival was organized across several cities of China through 2014 showcasing Indian performing arts, exhibitions of modern Indian arts, depictions of Buddhism links between the two countries, food and film festivals. As part of the festival Kalashetra, Kathak Kendra Troupe, Sangeet Natak Akademi and a Bollywood Troupe from Indian Council for Cultural Relations visited China. SangeetNatakAkademi performed at the Reception Marking the 60th Anniversary of the Five Principles of Peaceful Coexistence at the Great Hall of People. Food Festivals were also organised in cities like Beijing, Qingdao, Shanghai, and Hong Kong to give the local people a taste of authentic Indian cuisine. Yoga Festivals were organized in the month of July, 2014 in Beijing, Shanghai and Dali in partnership with Department of AYUSH, Government of India. Buddhist Art Exhibitions were organized in cities like Hong Kong, Shanghai and Chengdu. Indian Film Festivals were also organized in cities like Beijing, Hangzhou, Guangzhou, Qingdao, Hong Kong and Xi'an in partnership with Ministry of Information & Broadcasting.

During the visit of Chinese Premier Wen Jiabao to India in December 2010, the leaders of India and China agreed on a project involving compilation of an Encyclopedia of India-China Cultural Contacts. The Encyclopedia of India-China Cultural Contacts was released in both English and Chinese versions during Hon'ble Vice President of India's visit to China on June 30, 2014 in Beijing. The Encyclopedia features over 700 entries, encapsulating the rich history of contacts and exchanges between the two countries in the trade, economic, literary, cultural and philosophical spheres.

Prime Minister Narendra Modi paid a three day state visit to China from May 14<sup>th</sup> to 16<sup>th</sup> 2015. Prior to the visit, Prime Minister launched his own 'Weibo' handle to connect with the Chinese people. The details of the visit were first shared with the public via this Weibo handle, and the handle has since become immensely popular among Chinese netizens. The Prime Minister's visit was rich in symbolism, reflecting the growing closeness between India and China. For the first time, President Xi Jinping travelled outside Beijing to receive a foreign leader in Xi'an, in his home province of Shaanxi. President Xi also accompanied Prime Minister to the Big Wild Goose Pagoda – itself a symbol of the shared legacy of our two great civilizations – and organized a grand welcome ceremony at the Xi'an city wall. Premier Li Keqiang joined Prime Minister at the Yoga-Taichi performance with the world heritage site of Temple of Heaven as the backdrop, the first ever such event, which highlighted the cultural connectivity between the two countries. The two leaders even clicked a 'selfie' which went viral with over 33 million hits on the Weibo. 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 Expanding people-to-people exchanges and cultural contacts figured as a major theme of the visit. Prime Minister's visit to the Great Wild Goose Pagoda, joined by President Xi, and his attendance at the Yoga-Taichi event along with Premier Li exemplified the importance that our leaders attach to tapping the shared cultural heritage. Moreover, three new institutions: the Centre for Gandhian and Indian Studies in Shanghai, Yoga College in Kunming, and National Institute for Skill Development and Entrepreneurship in Ahmedabad were launched.

On December 11, 2014, the 193 member UNGA approved by consensus with a record 177 co-sponsoring countries including China a resolution to establish 21st June as "International Day of Yoga". In its resolution, the UNGA recognized that Yoga provides a holistic approach to health and well-being and wider dissemination of information about the benefits of practicing Yoga for the health of the world population. Embassy of India Beijing and Consulates at Shanghai, Guangzhou and Hong Kong celebrated the First International Day of Yoga today on 21st June, 2015 in China. The event was celebrated in more than 14 cities of China including Beijing, Shanghai, Tianjin, Qingdao, Hong Kong, Macau, Guangzhou, Chengdu, Kunming, Xiamen, Wuxi, Hangzhou, Wenzhou and Changzhou in which thousands of people participated enthusiastically. Several Chinese celebrities including musician Ms. Siqin Gaoli, actors Mr. Wang Baoqiang, Mr. Du Yiheng, and snooker champion Mr. Ding Junhui gave personal video endorsement messages, congratulating on

the occasion of International Day of Yoga and inviting people to participate in the event.

On 23<sup>rd</sup> October 2015, an Indian modern art exhibition titled 'The Eye and the Mind' was inaugurated at Beijing Minsheng Art Museum. This two month long exhibition has been curated by Mr. Rajeev Lochan, Director, National Gallery of Modern Art and comprises a number of exhibits by well-known artists in contemporary Indian art. 'India Culture Week' was organized from 4<sup>th</sup> November 2015 in Shanghai as part of the 'Shanghai International Arts Festival.' This cultural fiesta comprised 'Bollywood Love Story' musical, 'Sari' Dance composition by Daksha Sheth Company, folk music by Rajasthan Josh and the exhibition 'Forms of Devotion.' India Culture Week provided glimpses of the multi-faceted cultural traditions of India and encouraged greater understanding of India among Chinese people.

Both India and China have vibrant cultures and vibrant people. Buddhism, Xuan Zhang, Tagore, Dr. Kotnis, Nalanda, Yoga and Cinema are only symbols of our long tradition of exchanges. They are testimonies of our shared heritage. The momentum has been set and the pace can only increase in the 21st century.

### Indian Community

The Indian community in the consular jurisdiction of the Mission is growing. Present estimates put the community strength within this Mission's jurisdiction to around 21,000. A major part of this comprises of students (around 7500), who are pursuing courses in various universities in China. A number of Indians and PIOs are also working as professionals with various multinational and Indian companies.

The Mission maintains regular contact with the Indian community directly as well as through the "Indian Community in Beijing", which is an association of Indians and PIOs based in Beijing. Since its formation in 1999, ICB has been acting as a platform for Indian nationals and PIOs for get-togethers and organizing events during Independence Day, Diwali as well as an annual Indian Bazaar.

The Mission regularly organizes annual community events to maintain contact with the community. The Mission has been encouraging Indian nationals in China to register online through the facility provided in the embassy website. As of now more than 1200 persons have registered with the Embassy.

### 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). A revised EEP was signed during the visit of Hon'ble Prime Minister Sh. Narendra Modi to China in May 2015. The same provides for enhanced cooperation between institutions in the field of vocational education; collaboration between Institutes of higher learning, etc.

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 2015-16, 8 Chinese students have been selected to study in Agra under this scheme.

In 2010, it was decided to introduce Mandarin Chinese as a foreign language in the Central Board of Secondary Education (CBSE) syllabus. A Memorandum of Understanding was signed in August 2012, between Central CBSE and Confucius Institute, where both signatories agreed to exchange academic staff, teachers and trainees as well as exchange information on the system and structure of teaching Mandarin Chinese as a second language in schools in India. As a part of this MoU, the first batch of 22 Chinese teachers taught in select CBSE schools for two years, from January 2014 to January 2016.

The cooperation in the education sector between the two sides has resulted in an increase in the number of Indian students in China. As for academic year 2014-2015, there were 12998 Indian students studying in various Universities in China in various disciplines. Similarly, around 2000 Chinese students are studying in various educational institutions in India.

### REVIVAL OF SILK-ROUTE BY CHINA AND ITS IMPORTANCE TO INDIA

China says it wants to re install the Silk Road, as a gesture of goodwill and improving cultural and economic ties with the countries of the world. It will help to boost the ties with the countries, creating duty free trade zones and thereby allowing smaller players of the ASEAN and Africa to join the current paradigm shift in economy. As a result, China would help in development in of a number of ports and duty free cargo zones in developing countries, thereby boosting their maritime trade and relation with China. The project is important due to following reasons:

- It will leads to direct access to the "blue waters" of Indian Ocean, in which the only player till date was India.
- The proposed route also is a hub for hydrocarbon trade. With China toppling Japan as the 2nd largest energy consumer and India expected to topple Japan as the fourth largest consumer by 2017, the route could act as a bliss for transfer of oil and petroleum products from not only Gulf but also from Indonesia through the Straits of Malacca.
- The south Asia region is bustling with opportunities, and dissolving trade barriers and creating a favourable economic situation is the need of the hour.
- The proposed road could bring in some serious investment in the otherwise poor and less invested eastern part and North-eastern part of India, and thereby creating employment and industries.

### CONCLUSION

Firstly, Indo-china is a wrong term to be used while discussing about India-China relations. Indo-China refers to Vietnam. India-China relations are not very bad compared to 80's. China wants peaceful rise and India wants a superpower status. Of course both are competing neighbours and it is obvious to have some sort of harsh criticism on each one from their counterpart. India-China borders are one of the most peaceful "long" borders in the world. Please don't consider the hype created by the Indian media. Chinese people or media never perceive India as a threat. They are more concerned about Japan. China taking sides with Pakistan and waging war against India is a MYTH. Now coming to trade and economic ties with China, China is the largest trading partner of India. India imports goods worth 53 billion USD per annum (this was less than 10 billion USD in 2004). Whereas India exports goods worth 13 billion USD. (2014) Indian imports from China so, clearly majority of Indian imports consist of industrial machinery and Indian exports consist of raw materials. (Textile is still a semi finished well whereas apparel is a ready to wear product).

The about mentioned information shows that India needs to develop a lot in manufacturing sector to reduce the trade deficit of over 40 billion USD with China. So India is not going to irk China unless it becomes self sufficient or at least less dependent on Chinese imports.

India is also among top 10 trading partners of China. After 2008, demands for Chinese goods have declined significantly in western countries. Given the condition in EU post Brexit, the demand for Chinese imports is waning in European markets. New American president-elect Mr Trump is trying his level best to bring back at least some part of manufacturing units to America.

China is also under serious problems like aging population, costly labour and low domestic spending by people etc. At this point of time only a fool will try to loose a golden market like India. For Indian consumers, it will be quite hard to find alternate sources of these goods. Chinese firms are the dominant producers of a lot of goods that India buys from them, like computers, phones, integrated circuits, factory machines, networking equipment etc. Some of these are not even manufactured anywhere else anymore (at that scale), so the options will be some combination of - (a) pay higher price, (b) buy inferior products, (c) stop using them altogether.

Presumably there will be reciprocation from China too?

If Chinese consumers boycott Indian products, India will lose 4.8% of its exports. Proportionally, it will hurt the Indian economy bit more than it will hurt Chinese economy. Moreover, Indian exports to China are mainly commodities like cotton, copper, iron ore, granite, petroleum etc. So, both the countries should move ahead to improve their relationships in order to develop their economies.

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