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Exploring India-China Economic and Trade Relations in the Post Cold War Era (1991-2023)

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During initial years of the cold war, both India and China were affected by policies of regulation and restriction. Without access to new technology and resources, they struggled with inefficient production practices that hindered growth. In 1978, China recognized this situation and adopted its open door policy which allowed foreign investments and opened up markets. This was a successful move in many respects as it brought an influx of technological advances and international partnerships into the country. India, on the other hand, had more restrictive policies that prevented any significant economic growth until 1991 when they introduced liberalization reforms. China's economic reform and focus on export growth have allowed it to experience remarkable success in terms of its global market share. India has taken a more measured approach with their own reforms, but the results are far less impressive. This can be largely attributed to China's ability to access foreign markets while providing superior products at competitive prices. With its membership in the World Trade Organization, China opened up opportunities that were previously not available to Indian firms. This gave them an edge in accessing international markets and establishing their presence as one of the world's premier exporters. By comparison, India lags behind significantly due to weaker trade instruments and domestic policies. (Bhat, 2012)

The end of the Cold War brought about a new era of liberalization in India, allowing for improved trade relations with China. Post Cold War era, India and China have made great strides in economic diplomacy. Economic engagement between the two countries has seen a major jump since the early 2000s due to the rapid growth of both their economies and gradual development of mutual understanding. This enhanced cooperation has enabled an improved bilateral relationship, resulting in increased trade, investments, technology transfer and cultural exchange. The agreements signed over the years by both governments aim at creating better diplomatic ties for greater collaboration on international issues like climate change, food security and global governance.

Consequently, this newfound friendship is expected to bring about positive results that will benefit both nations as well as other countries in the region. With robust mechanisms being set up for fostering new partnerships and stimulating further investments, India and China have opened the door to more economic opportunities. This, in turn, has led to a surge in bilateral trade and foreign direct investments that are vital for both countries' growth and prosperity.

China surpassed the United States to become the world's largest trading nation in 2013, and India rose to bec ome the fifteenth largest trading nation, according to World Trade Organization data. It's critical to compreh end the dynamics of trade in emerging economies as they become more prominent in global trade. (Panda & Nbsp, 2016)

India-China trade is an important area of economic cooperation between two of the world's largest countries. Since the end of the Cold War, the two countries' trade relationships have evolved and grown significantly. However, this progress has been affected by several economic downturns, such as the 2008 global financial crisis, the 1997 Asian financial crisis, and the Covid-19 pandemic in 2020. In this thesis, I will discuss the impact of these crises on India-China trade, exploring how they have impacted the terms of trade, the flows of goods and services, and the overall landscape of the bilateral relationship. I will also discuss the potential solutions and implications of the crises on the India-China trade partnership. I will also examine the effects of each crisis on India-China trade and explain how they can be addressed and managed in the future.

Bilateral trade between India and China has experienced exponential growth since the beginning of the decade, with India being the 12th largest trade partner of China in 2019. However, due to COVID, the overall trade with China saw a reduction of 13.1% in Jan-Sept 2020.{Citation}

The liberalization of India after the Cold War opened up many opportunities for new trade agreements between the two countries, but it also heightened potential risks as well. With China increasingly taking an aggressive stance on territorial issues, India has been forced to reassess its own strategic security interests. This in turn has led to increased military spending and a greater focus on developing its indigenous defence technologies.

Thus, in the post-Cold War world, the relationship between India and China has been complex, defined by a mixture of competition, cooperation and contestation. India, the largest democracy in the world, and China, the world's most populous nation, have a vibrant trade relationship that has been shaped by their political, economic and cultural differences.

The geopolitical rivalry between India and China has had a significant impact on their trade relations. India and China have been involved in a number of territorial disputes, most notably in the border region of the Himalayas. These disputes have created tension between the two countries, and have led to a heightened sense of competition in the region. This competition has been further exacerbated by India's close ties with the United States and China's close ties with Pakistan. India and China have also competed for influence in the region, with India seeking to counter China's influence in South Asia and China seeking to expand its influence in the region.

The geopolitical rivalry between India and China has also had an impact on their respective economic policies. India has sought to strengthen its economic ties with countries such as the United States, Japan, and the European Union in order to counter Chinese influence. China, on the other hand, has sought to expand its trade with countries in South Asia in order to increase its influence in the region. This has led to increased competition between India and China in the region, with both countries seeking to strengthen their respective economic ties.

From their geopolitical rivalry in South Asia to the impact of their respective economic policies on the global economy, India and China must navigate an ever-shifting landscape of trade relations in order to ensure stability and prosperity for both countries. This proposal will explore the dynamics of the India-China trade relationship in the post-Cold War world, and how it has emerged as an increasingly important link between these two countries. It will discuss the opportunities and challenges that India and China face in working together, and how both countries can benefit from closer economic cooperation.

Review of Literature : Review of Literature is divided into 5 main parts
1.Economic Diplomacy as a Foreign Policy tool
2.India's Trade Strategy overview
3.Navigating through tough times (1997 , 2008 Financial Crisis and Covid crisis)
4.India- China Bilateral trade : An Overview
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1.Economic Diplomacy as a Foreign Policy Tool

According to Marshall ,Diplomacy has six distinct but interconnected meanings: it can refer to the content of foreign affairs, conduct of foreign policy, management of international relations by negotiation, apparatus for managing international relations, manner in which international relations are managed, application of intelligence and tact, art or skill of the diplomat, and evasiveness, dissimulation or deceit.(Marshall, 1999)

The shift in the study of diplomacy towards a better understanding of the processes and practices underpinning international economic relations has been remarkable. No longer is it enough to look at mainstream 'realist' and 'neorealist' approaches to international relations (IR). Instead, the scholarship on trade diplomacy has pushed us to think about the role of non-state actors, networks, ideas and institutions in diplomatic processes and outcomes. This has resulted in new ways of conceptualizing diplomacy, from catalytic diplomacy to multi stakeholder diplomacy, that recognize the centrality of economic matters in modern diplomacy.

The study of international relations (IR) has traditionally been dominated by realist and neorealist frameworks, leading to a state-centric analysis of mainly political agendas. This approach, however, has failed to provide a comprehensive understanding of the processes and practices underpinning economic diplomacy. In the light of contemporary globalization and its changing environment, economic diplomacy has become an increasingly critical topic in the study of diplomacy. In order to better understand the role of economic diplomacy in the current geostrategic landscape, two themes in the study of diplomacy are essential: diplomat as agent in IR and international political economy and non-state diplomatic actors. Four key modes of economic diplomacy have surfaced in order to manage contemporary globalization: commercial diplomacy, trade diplomacy, finance diplomacy and consular visa services.(Lee & Hocking, 2010)

Classic studies of trade diplomacy such as Curzon (1965) and Hudec (1975) provided state-centric accounts of power-based diplomacy in the General Agreement on Tariffs and Trade (GATT). However, the changing environment caused by globalization has made it necessary to recognize and understand new actors, new topics, and new forums of economic diplomacy. This has highlighted the need to move beyond the predominant realist conception of diplomacy, and to consider the implications and consequences of different modes of economic diplomacy for the global economy and for diplomatic practice.(Lee & Hocking, 2010)

Economic diplomacy is an essential tool for managing and protecting national interests, both at a domestic and international level. At a domestic level, economic diplomacy involves negotiating mutually beneficial arrangements between two states, which can further strengthen their foreign policy relations. Tactics and strategies must be tailored to the strengths and weaknesses of both parties, and the resulting agreements should protect the national economic interests of both states. At an international level, economic diplomacy is focused on creating global regulations to benefit the international community as a whole, such as through the formation of international conventions. The primary goal is not to derive any reciprocal benefit, but rather to establish something beneficial for the entire global community.(Chatterjee, 2020b)

The three mechanisms of strategic de-escalation that are highlighted by economic diplomacy are: firstly, increasing economic interdependence reduces the potential gains from conflict and increases the cost associated with it; secondly, private economic actors can act as agents of peacemaking by exerting pressure on state authorities to restrain from aggression; and thirdly, states will strive to maintain their reputation as responsible participants in global economic affairs, discouraging them from taking part in aggressive behavior. (Rusko & Sasikumar, 2007)

Foreign policy has historically placed an emphasis on economic diplomacy. The importance of economic factors in shaping a state's foreign policy, including trade commerce, private overseas investment, and debt management, are to be given emphasis. Diplomats and foreign offices have recently focused on security-related issues when formulating their strategies. Maintaining national security is crucial for every State, but it's also necessary to remember that doing so with placing an excessive emphasis on security concerns might be seen as an aberrant aspect of policy-making. Building cordial ties between States is the main goal of foreign policy.. To achieve this goal, it is essential to identify and address the causes that lead to world-wide terrorism, trans-border immigration, cybercrimes and other such issues. Furthermore, any measures taken to address these issues, be it preventive or curative, can be a drain on a State's resources. For poorer countries, these expenses would usually involve borrowing money from international lenders or receiving aid from other countries. This situation can lead to economic dependency, which in turn can lead to further instability in the political system of the country. Thus, it is essential to maintain a balance between economic and security issues in foreign policy-making. A policy that only focuses on security issues can be detrimental to the development of friendly relations between States. (Chatterjee, 2020a)

Economic diplomacy is a complex and often difficult process of navigating the many tensions between economics, politics, domestic and international pressures, and government and other forces. These tensions can be difficult to manage and often result in conflicting interests, making economic diplomacy an essential tool for governments and businesses alike. The first tension of economic diplomacy is between economics and politics. Politicians and governments are often tasked with making decisions that are in the best interest of their citizens. This often means making decisions that are based on economic reasoning, rather than political motivation. At the same time, economic decisions can have political implications, and political considerations can have economic repercussions. Balancing these two considerations is the challenge of economic diplomacy. The second tension of economic diplomacy is between domestic and international pressures. Governments must often make decisions that are in the best interests of their citizens. This often means balancing the interests of domestic citizens with those of the global community. This can be a difficult task, particularly when domestic concerns and global concerns conflict. The third tension of economic diplomacy is between government and other forces. This includes both foreign governments and other actors such as businesses, civil society organizations, and even individuals. In order to effectively manage these tensions, governments must be able to effectively negotiate and collaborate with these other forces. (Bayne & Woolcock, 2016)

2.India’s Trade Strategy overview

Trade diplomacy is one of the most important aspects of economic diplomacy and its importance in international relations cannot be overstated. Trade diplomacy entails managing bilateral or multilateral relationships in order to create an enabling environment for mutually beneficial trade agreements. It is an important tool for governments to facilitate domestic interests, increase exports and build strategic partnerships with other countries. In recent years, India has been at the forefront of leveraging trade diplomacy to open up new markets and create win-win scenarios for both local industries as well as foreign partners. From taking part in several rounds of negotiations under the World Trade Organisation (WTO) to signing numerous free trade agreements, India's diplomatic efforts have yielded positive results in terms of increased access to global markets and improved terms of trade .

Since the end of the Cold War, India's trade diplomacy has seen immense growth and transformation. After

India opened its markets to foreign investors, the country entered into negotiations with countries from across the world to sign free-trade agreements. In 1991, India's economy was in a deep crisis, with a huge balance of payments deficit, a lack of foreign exchange reserves, and an inability to borrow any more from the International Monetary Fund (IMF). Prior to the economic reforms initiated by Manmohan Singh in 1991, the Indian economy was characterized by a high level of government control and intervention. The country was largely closed off to foreign investment and trade, and the economic growth rate was low. The government of India, led by Prime Minister P.V. Narasimha Rao, appointed Manmohan Singh as Finance Minister and tasked him with the responsibility of restoring India's economic health. As part of his economic reforms package, Manmohan Singh introduced a series of trade liberalization policies that would open India up to the world economy.

He is credited with introducing a series of economic reforms that liberalized India's economy and opened it up to the world. These policies included cutting tariffs, removing foreign exchange controls, allowing more foreign direct investment, and deregulating industry.

The economic reforms initiated by Manmohan Singh in 1991 marked a turning point in India's economic history. The reforms enabled India to become more open to international trade and investment, and allowed the country to take advantage of the opportunities presented by globalization. The reforms also allowed India to access new markets and to benefit from increased competition. As a result, India's exports began to grow rapidly, and the country experienced an unprecedented level of economic growth in the 1990s and 2000s.

The country's exports increased from $13.7 billion in 1991 to $219.6 billion in 2011. This has had a positive impact on the country's balance of payments and foreign exchange reserves, and has allowed the country to invest in infrastructure and other development projects. The liberalization of the Indian economy has also attracted foreign investment, which has resulted in the creation of jobs and economic growth.

The economic reforms have enabled India to become a more powerful and influential player in the international arena. The country has been able to increase its diplomatic and military presence in South Asia and the Indian Ocean region, and has been able to play a more active role in multilateral organizations such as the United Nations and the World Trade Organization.

India has been quick to realise the importance of trade diplomacy and has engaged in a variety of initiatives to promote commercial links with its trading partners. It has also made use of consular visa services to facilitate the movement of personnel for both business and leisure purposes. In addition, India has actively taken part in global negotiations to secure favourable terms of trade. This includes participating in rounds of talks at the WTO, advocating for free trade agreements that open up access to foreign markets, and negotiating tariff cuts. By pursuing these strategies, India has managed to reduce tariffs on imports while maintaining competitive rates on exports. As a result, Indian businesses have gained greater access to new opportunities abroad, enabling them to increase their reach across the globe.

Understanding the determinants of bilateral trade flows is essential for predicting and understanding changes in the global economy. Distance, product category, political instability, cultural similarity, colonial past, membership in an economic union, and standard demographic variables such as GDP and population have all been found to be important factors in determining bilateral trade flows. By understanding these factors, governments, businesses, and individuals can make better decisions when it comes to international trade.(Srivastava & Green, 1986)

India's approach to regional economic integration is defined by a three-pronged PTA strategy to make up for losses in the commodities sector by gaining in services or other products, or by identifying India's unique interests in the partner country. India's preference for PTAs has unintentionally aided the integration process because most Asian nations are currently interested in the Indian market. When discussing trade in commodities and services with potential PTA partners, India is increasingly emphasising the necessity to include services as part of any integration effort and taking up issues of the environment and energy security. Because of its potential benefit in the services sector, it is also looking to adopt the CECA model in accordance with the Indo-Singapore experience. Nevertheless, other nations with a positive tariff rate might not be quite eager to lower rates universally, which might push India to make more concessions in exchange. China's goal in entering PTA talks is to increase the level of support for its claim to be a "market economy" and to gain quick access to partner markets. India has voiced its opinions in the WTO forum, but it is clear that it is only partially committed to PTAs.. India is taking the PTA route to reduce its MFN rate, which will place it in a comfortable position in multilateral negotiations. (Chaisse et al., 2011)

India started to catch up to China in terms of trade policies in the early 1990s. Differences in their external-sector strategies, however, cannot account for the discrepancies in their performances. The domestic policies of India were the main cause of the failure of labor-intensive items on the export markets. These regulations were based on the false notion that preventing rich businesspeople from investing in the majority of sectors would result in equality. Four sets of policies have had a major impact on the entry of large-scale firms in India. The Industrial Disputes Act (IDA) 1947 was amended to include chapter V.B, which effectively outlawed the dismissal of employees by a company with 100 or more employees and limited foreign investment to 40%.. The SSI reservation policy allowed some SSI enterprises to succeed but not on a scale justified by the cost advantage India potentially enjoyed. The labor-market rigidities of the Indian Industrial Development Authority (IDA) have made it difficult for smaller firms to retrench workers, leading to low productivity and higher wages than would be justified in a labor abundant economy. This has caused foreign investment to flood either capital-intensive industrial industries or industries that require a lot of specialised personnel, such technology, Outsourcing, telecoms, and the drug industry. India has a much smaller market share for garments in the United States than China, and it is essentially missing from the markets for toys and the majority of other light manufacturing. All Indian exports have been hampered by infrastructure in general, but the electricity sector is severely affected. Given the political constraints India faces in eliminating the labor-market rigidities, prospects of super-high growth of labor-intensive exports for the country are not particularly good.(Kochar et al., 2014)

Since 1991, India's trade policy reform has been a great success, with tariffs being reduced, simplified, improved non-tariff measures regime, services regulation, and opening up internal markets for services, as well as great investment opportunities, better trade facilitation institutions and policies, and increased domestic capacity to connect with both domestic and global value chains. Up until recently, trade growth was strong; in 2014, the ratio of exports and imports to GDP was 49%. Although the current account deficit has been kept within manageable bounds, the trade imbalance has been notably large. Further trade policy reform must be taken into account because it will have a big impact on consumers, producers, and economic efficiency. India's trade-policy reforms, which have contributed to greater competitiveness of Indian enterprises. Further tariff reform should concentrate on lowering the tariff peaks, minimising the number of rates used, and streamlining the tariff structure to increase its predictability and transparency. On non-tariff measures, India is emphasizing on facilitating policies such as Make in India. However, there are still areas to address, such as capacity augmentation and regulatory coherence, to undertake trade policy change through a comprehensive and coordinated strategy.. The most important details are that trade policy and domestic policy need to be integrated, and that the mechanisms for governing trade negotiations and policy need to be comprehensive and take issues into account in a timely, informed, and participatory manner. Additionally, establishing systems need to be developed to enable quick information coming to policymakers about the several fields are forming as part of the expanded framework of trade policy, both formally and informally. Finally, policymakers need to interact more closely with the private sector due to the evolving technologies, growth of social and sustainability considerations, and the tendency of policy issues to spill over into the practices of private-sector lead firms. (Mohan, 2017)

From 2015-16 to 2016-17, India's imports and exports of goods as a percentage of GDP declined from 37% to 36%. In 2019-20, exports dropped even further by 5.1% due to a decrease in external demand and global investment. Imports also decreased significantly by 7.8%, primarily as a result of lower industrial production activities and domestic consumption. The majority of India's imports were products such as petroleum crude, gems and jewellery, electronic items, machinery and chemical related goods – accounting for almost 75% of the total. Export markets have expanded over time, particularly in North America, Europe and Central Asia, and Middle East and North Africa, with the United States.(*Trade Policy Review*, n.d.)

India is becoming increasingly well known for its booming service sector and its exports of services. The country's services exports, which include software, business, transportation, travel and communication services, have grown steadily in recent years, rising to 3.5% in 2018 - double the share of world merchandise exports. This growth has continued in 2019-20, with a 2.5% increase over the previous year. India's imports of services have also been on the rise, increasing by 1.8% to USD 128 billion in 2019-20 from USD 126.1 billion in 2018-19. This provides India with an important source of income and helps finance 53.9% of its merchandise trade deficit.. (*Trade Policy Review*, n.d.)

3. Navigating through tough times (1997 , 2008 Financial Crisis and Covid crisis)

The 1997 economic crisis has caused fundamental changes in East Asia's economic, political, and strategic relations. As a result, the economy has recovered slowly and there is less faith in multilateral institutions, which has increased China, Japan, and American dominance. The long-term strategic balance in East Asia will change if present economic growth trends continue, since China has been particularly adept at growing its influence in Southeast Asia. Tokyo has found it more challenging to propose trade liberalisation to its neighbours as a result of the country's economic slump and protection of its agricultural industry. China's economic and strategic stature will be raised if it can continue its rapid development rate and modernise its military. The ASEAN nations, and possibly even Taiwan, may look to New Delhi as a counterbalance to China and as an addition to a distracted United States if India can maintain its present higher economic development rate and keeps up its military modernization. These trends are likely to continue and that the relative importance of the Pacific Rim countries will decline. (Denoon, 2007)

Although China's economic reforms had been ongoing for more than 15 years at the start of the 1990s, there was no agreement that the country could continue its rapid growth. After 25 years of outstanding success, there are now less doubts about China's potential and the government has more resources than previously thought. China has the economic foundation necessary to advance from being a regional power to a big power, but will it take that path? India's economic performance in the 1970s and 1980s was desultory, and the rate of modernization and technical innovation was low. (Denoon, 2007)

The most important details are the challenges faced by the Chinese economy during 1993-1994 and the East Asian Financial Crisis of the late 1990s. In 1999, China revised its constitution to provide a greater role for the private sector and continued reforms in state-owned enterprises (SOEs). These policies have sparked conflicts and significantly increased worker protests across the nation. China joined the World Trade Organization (WTO) in 2001 and pledged to change its trade policies and allow more competition in its home economy. As China joined the World Trade Organization (WTO) in 2001, extensive and expensive reforms were implemented that reduced trade restrictions, gave national treatment, and improved market access for goods and services imported from other countries. China passed more than a thousand legislation in its first year as a WTO member to bring the trading system into accordance with WTO rules. But, as commercial firms gained greater autonomy, the government's role altered, and both the manufacturing and agricultural sectors confronted formidable obstacles. With the signing of the International Covenant on Civil and Political Rights in October 1998 and the International Covenant on Economic, Social, and Cultural Rights in June 1998, respectively, China has also made sincere attempts to socially and politically integrate with the rest of the world.(Athwal, 2009)

The global financial crisis of 2008 had a huge impact on the world economy, and governments around the globe scrambled to find ways to protect their citizens from its devastating effects. One way they did this was by implementing trade policies that would help stabilize markets and encourage economic growth. A major factor affecting countries' choices was their macroeconomic "policy space" – the ability to use fiscal and monetary policies to stimulate growth and manage the downturn. Nations with greater room for maneuver in this area were better able to weather the storm than those with limited tools available. Another influential factor was the growing trend of intra-industry trade, where companies specialize in different varieties of the same product. This has enabled countries to boost their exports while avoiding the traditional risks of relying on a single industry or sector. Additionally, production fragmentation across global value chains – known as vertical specialization - has grown considerably in recent years and resulted in more goods being traded between different countries. (Gawande et al., 2011)

A study of bilateral trade flows between China and other countries over a period of time(2004-2013) has revealed some interesting insights. The gravity model applied in the study indicates that India and China tend to do more business with countries closer to them geographically, while India's trading partners have higher GDPs but lower per capita incomes than those of China. Additionally, having a common language for official communication appears to be an important factor influencing Chinese trade flows. When crisis (2008) is taken into account, it seems that having a common colony becomes an important influencer of Indian trade. Surprisingly, the results remain almost unchanged for China even during times of crisis.(Panda & Nbsp, 2016)

4. India- China Bilateral trade : An Overview

Trade is essential for international security. It allows nations to access resources from around the world and to develop mutually beneficial relationships that can support peace and stability. Trade also provides economic benefits to countries, helping to reduce the risk of conflict and mitigate the devastating effects of economic insecurity. Trade can also help to foster goodwill among nations, encouraging cooperation on a range of issues, including human rights, environmental protection, and arms control. Furthermore, trade can help create jobs and promote economic growth, which in turn can improve living standards, reduce poverty, and ultimately contribute to greater security. Finally, trade can strengthen regional and global ties, helping to foster greater understanding and peaceful relations between nations.

Bilateral trade is a critical component of the global economy, and it has the potential to promote peace and prosperity among nations. As the world becomes more interconnected, it is important for countries to engage in trade with one another to take advantage of the opportunities that arise. Trade between emerging nations is particularly important, as it can help to create new markets and boost economic growth. India-China trade relations are a prime example of this, as the two countries have developed a strong economic partnership in recent years.

The relationship between India and China dates back to ancient times, with trade routes connecting the two countries dating back to the 4th century BCE. India and China have been important trading partners throughout history, with a long history of exchange of goods, ideas, and culture. In the 19th and 20th centuries, the two countries began to develop closer political and economic ties. After the establishment of the People's Republic of China in 1949, India and China established diplomatic ties in 1950 and began to trade more frequently. In the years since then, their relationship has evolved, with increased cooperation and competition.

The Sino-Indian War of 1962 and the subsequent border disputes have been a major source of tension between the two countries. In the past few decades, trade has become an important avenue for cooperation between India and China. In 2018, trade between India and China stood at $95.54 billion, making China India's largest trading partner. The emergence of China as a major global power has also changed the geopolitical landscape of the region, and India and China have sought to engage in closer economic and diplomatic cooperation.

Since the end of the Cold War in the early 1990s, the relationship between India and China has been marked by increased collaboration and trade. The liberalisation of the Indian economy in 1991 with the implementation of the LPG reforms and the opening of the Chinese market for foreign trade have led to a significant increase in bilateral trade between the two countries.

The rise of economic diplomacy between India and China has been a defining feature of the post-Cold War era. From the signing of the "Agreement on Trade and Economic Cooperation" in 1993 to the recent "Joint Statement on Strengthening India-China Relations" in 2017, the two countries have worked hard to strengthen their economic ties.

From just over $338 million in 1992, India-China bilateral trade soared to an impressive $7.6 billion by 2003, a growth of 53.6%.The trade relations between India and China have grown substantially over the years. China and India decided to hold the Joint Economic Group (JEG) ministerial conference in June 2003 and signed the Declaration on Principles for Relations and Comprehensive Cooperation at that time (JEG). In order to evaluate the potential potential synergies between two countries to improve trade and cooperation, a compact Joint Study Group (JSG) made up of government representatives and economists was established. In 2003, India’s exports to China were US$ 4.25 billion compared to only US$ 3.34 billion of Chinese imports into India, totaling a trading volume of US$ 7.6 billion. By 2004, this amount had nearly doubled reaching a total bilateral trade volume of US$ 13.6 billion.(De & Bhattacharyay, 2005)

Bilateral trade flows between China and India have always been of great interest, especially given the two countries' prominent roles in global economics. There is a strong imbalance in the type of goods traded between these two nations: China exports manufactured goods and finished products to India, while India primarily exports primary and intermediary products to China. This difference has resulted in relatively low tariffs for Indian imports into China, and high tariffs on Chinese imports into India. Any reduction in tariffs would greatly increase India's imports from China; however, it is unlikely that this will happen through any bilateral PTAs or FTAs unless there are significant changes in investment regulations and tax structures to make India more competitive with China. A comprehensive economic cooperation agreement between China and India is essential to ensure that both countries reap the full benefits of increased trade relations. Such an agreement should cover areas such as goods and services, intellectual property rights protection, market access, investment promotion and other important sectors. With a carefully crafted bilateral agreement, both countries will be able to balance their respective gains and losses while encouraging mutual prosperity. (Bhattacharya & Bhattacharyay, 2007)

5. Rise of Asian Giants : India and China

The end of the Cold War ushered in a new era for political, security and economic dynamics between Beijing, New Delhi and Moscow. As the Soviet Union disintegrated, China and India both sought to diversify their foreign relations while at the same time maintaining strong links with Russia. In particular, they were concerned about the destabilizing effects of Islamic fundamentalism in the former Central Asian republics. To address these concerns, the governments of all three countries have explored various ways to cooperate economically and politically. For instance , The "four modernizations" of economic growth, which call for a stable and peaceful external environment, have dominated China's agenda since 1978.(Mansingh, 1994)

The Chinese model of trade and development is a strategy that has been embraced by the country for more than three decades. This strategy relies heavily on risk-taking and experimentation in order to achieve goals. This approach emphasizes adaptability and quick decision-making which helps the economy stay competitive in an ever-changing global market. (Stiglitz, 2008)

China's economic reforms were divided into four phases: 1979-1984, 1984-1985, 1988-1993, and 1994-1998. The first phase (1979-1984) focused on promoting exports and establishing Special Economic Zones (SEZs). The second stage (1984-1985) focused on urban areas and on state-owned enterprises. The third (1988-1993) and fourth (1994-1998) stages focused on the creation of a socialist market economy, with the fiscal contract system replaced with a tax-sharing system and the central bank given the authority to regulate the money supply and supervise China's financial systems. (Athwal, 2009)

Similarly , since the post reform period in India, the country has seen an increase in economic growth. The reforms that were implemented have opened up many doors for foreign capital and investments to come into India which has led to a great influx of money and resources into the economy. This has resulted in the creation of jobs and the establishment of new industries. Moreover, deregulation of certain sectors has allowed for more competition within those areas and provided incentives for businesses to innovate and create products that are both useful and marketable.

The government's reorientation towards a commercial approach in its foreign economic policy has also paid off. This change enabled Indian companies to tap into global markets with greater ease, leading to increased export revenue and even allowing them to establish their own international presence. In addition, foreign direct investment has surged as multinationals seek to benefit from India's burgeoning economy.

These developments have contributed significantly to the country’s overall economic growth and stability. For example, in 2018-19, India's GDP increased by 6.8%, representing its fastest rate of expansion since 2016. This impressive growth is mainly attributable to a wide range of reforms that were implemented during the post reform period, including tax breaks for businesses and more efficient financial markets. These measures have encouraged both domestic and international companies to invest more capital into the Indian economy.

Furthermore, this period also saw the emergence of new industries such as information technology, pharmaceuticals and biotechnology which has helped to further diversify India's economy.

The rise of India and China is changing the world order. The two countries, which make up over a third of the global population, are quickly becoming economic powerhouses. Their increased economic might has made them central players in international politics, with their bilateral relations improving in recent years due to new economic ties.

Not only do they share strong trading relations, but both countries are members of major intergovernmental organisations such as BRICS and G20. As major economies grow more intertwined, their political decisions start having a much wider impact on the global stage.(Rusko & Sasikumar, 2007)
China and India's emergence as major players on the world stage is also having a significant impact on international economics. Their huge foreign exchange reserves are providing stability to US markets by investing in securities which helps maintain low interest rates and higher raw material prices beneficial to commodity producers. Additionally, their contributions to global output growth ensures that world output stays at or above the 4 per cent threshold level critical for an improved economic outlook. (Goldstein et al., n.d.)

The 21st century has seen a dramatic shift in the geopolitical landscape of the Asia-Pacific. The rise of China and India as regional powers, the continued growth of ASEAN, and the increasing assertiveness of small states have all contributed to a more complex and contested region.

The changing geopolitical landscape has had a major impact on diplomacy in the region. Multilateral forums such as the East Asia Summit and ASEAN Regional Forum have become increasingly important, as they provide a venue for countries to discuss their differences and find areas of cooperation. Meanwhile, bilateral relations have become more complex, as countries seek to navigate the competing interests of different regional powers. (Köllner et al., 2022)

The United States has long been the dominant power in the Asia-Pacific, and its continued engagement in the region is critical to maintaining stability and preventing Chinese hegemony. The Trump administration has taken a more confrontational approach to China, however, and this has led to increased tensions between the two countries. (Goh, 2022)

In his first year in office, Trump has withdrawn the United States from several international agreements and organizations, including the Trans-Pacific Partnership (TPP), the Paris Climate Agreement, and UNESCO. Trump has also threatened to withdraw the U.S. from the North American Free Trade Agreement (NAFTA) unless it is renegotiated to his satisfaction. These actions have sent a signal to the Indo-Pacific region that America is no longer committed to multilateralism or global engagement. (Akaha& Hirata, 2021)

At the same time, Trump has continued to pursue an "America First" agenda, which has included imposing tariffs on imported goods from China and other countries, as well as seeking greater concessions from South Korea on trade and defence. Trump has also been critical of Japan, accusing it of manipulating its currency and not doing enough to contribute to its own defence.(Paradise, 2021)

Knowledge Gap :

A knowledge gap exists when it comes to India-China trade relations. Much of the current literature focuses solely on the maritime aspects of the Belt and Road Initiative (BRI). This leaves out the land borders, which is an area where both India and China have vested interests. Moreover, the existing literature does not take a holistic approach to studying this relationship. Realism, neo-realism, liberalism and constructivism are used as separate perspectives in research rather than trying to find ways to combine them into one cohesive viewpoint.

Furthermore, the existing literature tends to ignore the notion that trade can be considered as "high politics." Military security and trade often go hand in hand and should be studied as part of a single continuum. However , there is still a lack of understanding and research on how India-China trade relations are impacted by both security and political concerns.

At the same time, positivist approaches such as realism and liberalism have been used to study this relationship from an analytical point of view. While these perspectives offer insight into the diplomatic aspects of this relationship, they often overlook other crucial elements that could potentially shape the overall dynamics between the two nations. For instance, cultural and social norms may play an important role in determining how successful certain policies will be. Moreover, looking at the global context within which India and China operate can help us gain further insights into their interactions with one another.

Rationale of the research :

This study is necessary to further explore India-China Trade relations in the context of global economic shifts and the implications it could have on developing countries. By analysing their collaboration, this research seeks to identify areas where mutual cooperation can be beneficial as well as any potential risks associated with such an alliance. In doing so, it has the potential to promote greater understanding between India and China which can potentially lead to increased support for Third World countries and thus bring about a more equitable and sustainable form of development. Additionally, by delving deeper into the dynamic of debt-trap diplomacy from a Constructivist perspective, this research

A research into India-China Trade is essential for understanding the nature of their relations. The increased economic activities between two Asian giants has resulted in an ever deepening bilateral relationship which cannot be overlooked.

The research focuses on incorporating the constructivist perspective while studying Indian-Chinese economic collaboration, as it takes into account the social dynamics within the context of the growing powers. It also aims to provide a more nuanced view of the popular Western narrative of debt-trap diplomacy, by emphasizing possible areas of collaboration and prospects for mutual growth. Additionally, this research will look beyond mere financials and security implications to investigate the possibilities for third-world solidarity and collective growth in the 21st century.

This research seeks to explore India-China relations from both a theoretical and practical perspective. By combining realism and liberalism, we hope to gain an insight into how geopolitical dynamics between these two countries shape their interactions. Additionally, by taking a constructivist view, we can gain deeper understanding of the cultural influences that have informed India's policy decisions over time. In doing so, this research will enable us to identify potential risks or opportunities which could arise from their current relationship as well as inform future strategies for engaging with China.

Objectives of the research:

The primary objective of this research is to explore the history and development of economic diplomacy between India and China in the post-cold war era. This will include an examination of trade agreements, bilateral ties, the role of global financial institutions, and any other relevant trends that may have contributed to increased economic relations. Additionally, it will seek to identify potential areas for future cooperation between the two countries, as well as highlight their respective places in the global economy. Ultimately, this research seeks to provide a comprehensive understanding of the current state of diplomatic affairs between India and China, so as to inform more effective decision-making within both governments.

This study also aims to answer questions such as how China's growing presence in the region and its increasing economic clout affects India's interests, particularly in the land borders? This research will delve into various components of India-China trade and attempt to provide comprehensive overview.

Through this study, we hope to understand how various factors such as economic, cultural and political play out in the context of Indo-Chinese relations and how these can shape India's responses towards its neighbour in the future. By exploring different aspects of their relationship from both macro-level as well as micro-level perspectives, this research will provide us with more information about the changing nature of India-China ties. Additionally, it will help to uncover any potential risks or benefits that may arise for either country due to their increased interaction.

Methodology and Methods :

This research seeks to combine constructivist perspective along with positivist approaches of realism and liberalism in order to gain a comprehensive view of the changing dynamics between India and China.

This data will be chosen due to its high accuracy, wide range of topics and reliable sources. The methodology used to analyse the data includes a combination of qualitative analysis, quantitative analysis and statistical tests. In order to determine the best approach for analysing this data, we will look at several different methods including regression analyses, clustering techniques and trend modelling.

The qualitative analysis focuses on assessing the primary factors that influence international trade, such as political stability, cultural attitudes and market regulations. This process involves collecting and interpreting information from various sources including interviews with stakeholders, open-source documents and industry reports. The quantitative analysis then provides insight into these variables by using economic indicators such as Gross Domestic Product (GDP) and exchange rates. Statistical tests will also be used to determine the relationship between these variables and international trade.

Finally, the data will be further analysed through trend modelling which involved identifying patterns in the data and predicting future changes in global markets. This process requires a comprehensive understanding of the interdependencies between factors such as economic performance, population growth and technology advancement. By combining all three approaches, we will be able to gain an accurate picture of the international trading environment and make sound decisions about our own strategies.

In conclusion, the combination of qualitative analysis, quantitative analysis and statistical tests proves to be effective in analysing the UNCTAD data. By using this methodology, we will be able to gain an in-depth understanding of the different factors influencing international trade and develop evidence-based strategies

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