

## New Delhi to Beijing with Different Ideologies: The Concept of Make in India and Look East Policy

V. Rama Krishna<sup>\*</sup>, Shinde Jagannath R<sup>\*\*</sup> & D. Smitha<sup>\*\*\*</sup>

### Abstract

This paper examines diplomatic relations between New Delhi to Beijing in the context of recent thrust on 'Make in India' and 'Look East Policy'. The paper provides descriptive facts in political, trade, foreign direct investments etc., between both India and China and also provide a brief analysis of disputes and bilateral cooperation issues with China. India-China relations have made progressive diplomatic strides in the recent past, but there still remains a perennial asymmetry in their relations.

**Keywords:** Make in India, Bilateral Relations, Ideologies, Chinese Trade, Look East Policy

### Introduction

It is crucial for India and China to explore new ways in order to enhance bilateral political, economic, and cultural ties, which are likely to be drivers of global economic growth (Maini, 2015). To achieve this, it is important that the two countries look beyond New Delhi and Beijing. Bilateral trade between India and China has risen to nearly \$70 billion from merely \$2.92 billion in 2000, even the level of people-to-people interactions has witnessed a significant increase, though, of course, both the level of bilateral trade and people-to-people contact is far below its potential (Rajamohan, 2015). Incidentally, both the governments have been making concerted efforts not just to boost bilateral trade, but also enhance tourism. Indian Prime Minister Narendra Modi's announcement, during his visit to China in May 2015, regarding the e-Tourist Visa facility for Chinese citizens visiting India, is a positive step (Haidar, 2015). The stringent visa regime is one of the major impediments to greater interaction between citizens of both countries. Apart from the alteration in visa regime, 2015 and 2016 have also been designated as 'Visit India' and 'Visit China' years respectively. States like Kerala and Andhra Pradesh have already begun to woo tourists. Only recently, Kerala held a show in Beijing to showcase traditional martial arts of the state and the historical linkages between the southern Indian State and China.

There is also a strong political consensus with regard to the need for greater economic ties, people-to-people contact and the importance of sub-national interactions between India and China. Both during the earlier Congress regime and the current Modi-led BJP government, these issues are being accorded high priority (Business Standard, 2015). While there have been studies on the participation of sub-national governments from both countries in foreign policy, it is encouraging to see that in recent times there are studies on some direct comparisons of the role of Indian and Chinese sub-national actors in foreign policy. The most interesting study that makes such a comparison is by Antholis (2014). This brings to the fore, the increasing importance of provinces in the foreign policy

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\* Assistant Professor, Department of Studies and Research in Political Science, Tumkur University, Tumakuru, **E-mail:** rahul\_rk2004@yahoo.co.in

\*\* Professor, Department of Studies and Research in Sociology, Gulbarga University, Gulbarga, **E-mail:** sj\_ramanna@yahoo.in

\*\*\* Lecturer in Political Science, Sri Basaveswara P U College, Sondekoppa Road, Nelamangala, Bangalore Rural District. **E-mail:** dsmitha10@gmail.com

of both countries, and has sought to explain the reasons for participation of state governments and provinces in foreign policy.

While efforts towards strengthening links at the local level, such as sister province and sister city agreements, can only be lauded, it is important to ensure that they have substance to them and are not just mere agreements. While the Kolkata-Kunming agreement is important because of the BCIM corridor and engagement, other existing agreements should be strengthened, and both sides should seek to ensure that such relationships are mutually beneficial. It is not just policy makers and the business community in both countries that are stakeholders in this process of greater engagement at the local level between Chinese Provinces and Indian states. Scholars too need to make a positive contribution. While certain Indian scholars like Kurian and Jacob have done some significant work on the importance of sub-national cooperation between both countries, the Track II exchanges, such as the Kunming Initiative between institutions in India and China, have helped in increasing awareness about each other's views. Greater collaboration is needed between scholars from both countries. They should devise new models of sub-national cooperation based on the Indian and the Chinese experience and add to the existing literature that is predominantly Western. Asia should not just drive economic growth, but should also influence scholarship on important issues, including the role of sub-national actors in economic relations.

### **Literature Review**

Kumar & De (2005) in their paper "Bilateral Cooperation Between India and China: Issues and Ways", highlight the importance of cross-border trade in economic cooperation between China and India. It gives information about the significance of transport facilities in expanding bilateral trade between North-East India and South-West China. The paper deals with some basic problems such as geographical factors in facilitation of border trade. The article also highlights policies of both governments to expand trade through these regions. However, the authors of this article have failed to look beyond border trading in bilateral trade.

Ganasemurthy (2009) in his book "India China Relations: Dimension and Prospective" examines Indo-China relations from various angles including regional and global perspectives. The book also describes cultural exchanges, share perceptions during freedom struggles, post-independence and during post revolution concern of the two countries. The book also highlights obstacles in the way of India-China relations. The author suggests that these problems can be removed through promotion of bilateral economic relations between the two countries. But in this study, author has not covered bilateral trade between India and China.

Lam Peng Er. and Narayanan Ganesan (2008) observed that in the midst of the unprecedented global financial crisis triggered by the US sub-prime mortgage problem in 2008, China is a rare major economy which is seeking to achieve an impressive growth rate of at least eight percent in 2009 (though below the phenomenal double digit growth rates of the previous few years). It may well be the first major country in the world to enjoy a strong economic rebound. Indeed, the Chinese mainland is poised to overtake the stagnant Japanese economy within the next few years and emerge as the second largest economy in the world.

### **India's Economic and Trade Profile**

**Exports:** Exports recorded a growth of 4.06 per cent during Apr-Mar 2013-14. The Government had set an export target of US \$ 325 billion for 2013-14. The merchandise exports have reached US \$ 312.61 billion in 2013- 14.

**Imports:** Cumulative value of imports during 2013-14 was US \$ 450.07 billion as against US \$490.74 billion during the corresponding period of the previous year registering a negative growth of 8.29 per cent in \$ terms. Oil imports were valued at US \$ 167.62 billion during 2013- 14 which was 2.2 per cent higher than oil imports valued at US \$ 164.04 billion in the corresponding period of previous year. Nonoil imports were valued at US \$ 283.32 billion during 2013-14 which was 13.3 per cent lower than non-oil imports of US \$ 326.7 billion in previous year.

Table 1: Trade Data for period 2004-05 to 2013-14

(Rs crores)

Sl. No.	Year	Exports	%Growth	Imports	%Growth	Trade Balance
1	2004-2005	3,75,340	27.94	5,01,065	39.53	-1,25,725
2	2005-2006	4,56,418	21.6	6,60,409	31.8	-2,03,991
3	2006-2007	5,71,779	25.28	8,40,506	27.27	-2,68,727
4	2007-2008	6,55,864	14.71	10,12,312	20.44	-3,56,448
5	2008-2009	8,40,755	28.19	13,74,436	35.77	-5,33,680
6	2009-2010	8,45,534	0.57	13,63,736	-0.78	-5,18,202
7	2010-2011	11,42,922	35.17	16,83,467	23.45	-5,40,545
8	2011-2012	14,65,959	28.26	23,45,463	39.32	-8,79,504
9	2012-2013	16,34,319	11.48	26,69,162	13.8	-10,34,843
10	2013-14(P)	18,94,182	15.9	27,14,182	1.69	-820,000

Source: DGCIS, Kolkata

India is among the fastest growing economies of the world & has registered 9.4% growth in GDP in the year 2006-07 (Source: Press Information Bureau, Government of India). It is the world's fourth largest economy in terms of purchasing power parity (Source: World Bank, Yr. 2006). India is the 7th largest country by geographical area and second most populous country of the World (Source: UN Database, Yr. 2007 est.). India's foreign exchange reserves have risen from US\$ 5.8 Billion in March 1991 to US\$ 208 Billion in June, 2007 (Source: Reserve Bank of India). India's GDP (Official Exchange Rate) is US\$ 805 billion while its GDP per capita (purchasing power parity) is US\$ 3800. During the last 10 years, India's total trade has risen by more than 4 times from US\$ 72.60 Billion in 1996-97 to US\$ 316.90 Billion in 2006-07.

A major shift in India's export destinations has been observed during the last 10 years. Top 5 export destinations of India in 1996-97 were USA, UK, Japan, Germany and Hong Kong with 43% share. In 2006-07, top 5 destinations were USA, UAE, China, Singapore and UK with a share of 40.17%. India's exports registered significant growth in case of UAE and China at 39.84% & 22.7% respectively (Year 2006-07 over year 2005-06). India's trade with Commonwealth of Independent States (CIS) Region has risen by 19.41% in the year 2006-07 over the previous year with total trade worth US\$ 5 Billion. Major trading partner of India in the CIS region is Russia with 61.2% share in exports & 59.8% share in India's total imports from the region. Ukraine with a share of 25.8% in India's total trade with CIS region is the second most important trading partner. India's major export commodities to the CIS region are Pharmaceuticals, Coffee/Tea/Spices, Readymade Garments, Iron & Steel & Machinery whereas major import commodities from the CIS region are Iron/Steel/Nickel, Fertilizers, Mineral Fuel, Cereals & Rubber.

#### India's International Trade Statistics

- India's total merchandise trade increased from US\$ 467 billion in FY2010 to US\$ 757 billion in FY2015
- Exports from India have increased at a CAGR of 11.6% from 179 billion in FY2010, to US\$ 310 billion in FY2015
- India's Export to GDP ratio increased from 13.3% in FY2010 to 15.6% in FY2015
- Share of India in world merchandise export – 1.7% in 2014; Rank– 19 (up from 29th in 2005)
- Foreign Trade Policy 2015-2020 aims at increasing India's merchandise and services exports to US\$ 900 billion by FY 2020
- Direction of exports moving towards Developing countries

- Share of Asia, Africa and LAC regions increased sharply from 58% in 2004-05 to 66% in 2014-15; Of this, share of Asia region rose from 48% to 50% during this period
- Future trade flows to be geared towards the developing nations (buttressed by GOI policies)
- Direction of imports also moving towards the Developing countries, particularly Asia, Africa and LAC
- Share of Asia, Africa and LAC regions increased sharply from 41% in 2004-05 to 74% in 2014-15; of this, share of Asia region rose from 36% to 59% during this period
- FDI inflow into India increased to US\$ 45 bn in 2014-15, as compared to US\$ 36 bn in 2013-14
- FDI outflow from India stood at US\$ 30.9 bn in 2014-15, against US\$ 36.9 bn in 2013-14

[Source: Exim Bank (2015). 'Export-Import Bank of India: Catalysing India's Trade and Investment,' July 01, 2015]

### China's Foreign Trade Statistics

China is becoming a prominent outbound investor, making use of its large foreign exchange reserves and seeking to reduce its excessive levels of investment in the domestic market. Chinese global outbound investment flows grew from just over \$34 billion in 2003 to \$525.7 billion in 2013. The combination of rising outbound FDI and a slowdown in foreign investment into China has led to a rapid reduction in China's net FDI surplus, from \$46 billion in 2006 to \$11 billion last year.<sup>6</sup> At the same time, global FDI in ASEAN has been on the rise, increasing from just over \$300 billion in 2003 to over \$1.5 trillion in 2013 as we can see from the Table No.2.

However, China contributed a mere 2.3 percent of total FDI into ASEAN in 2013. According to Ministry of Commerce People's Republic of China (MOFCOM), Association of Southeast Asian Nations (ASEAN) accounted for 6.7 percent of China's global outbound investment stock at year-end 2013, a total of \$35.7 billion. The actual rate is likely quite a bit higher when taking into account investments not notified to the Chinese authorities in order to avoid administrative red tape; investments originating in Hong Kong; reinvestments by companies already based overseas; and other technical issues regarding investment reporting.

**Table 2: China's Bilateral Trade with ASEAN Countries**

(US\$ billions)

		US\$ billions				Share of ASEAN (%)			
		1998	2003	2008	2013	1998	2003	2008	2013
<b>ASEAN Total</b>	Exports	10,919	30,935	114,139	244,133	100%	100%	100%	100%
	Imports	12,589	47,350	117,012	199,402	100%	100%	100%	100%
	Balance	1,670	16,415	2,873	44,731	100%	100%	100%	100%
<b>High-Income</b>									
<b>Brunei</b>	Exports	560	34	130	1704	5.1%	0.1%	0.1%	0.7%
	Imports	0	311	83	87	0.0%	0.7%	0.1%	0.0%
	Balance	560	277	47	1617				
<b>Singapore</b>	Exports	3901	8873	32325	45886	35.7%	28.7%	28.3%	18.8%
	Imports	4226	10486	20092	29969	33.6%	22.1%	17.2%	15.0%
	Balance	325	1613	12233	15918				
<b>Middle-Income</b>									
<b>Indonesia</b>	Exports	1172	4482	17210	36947	10.7%	14.5%	15.1%	15.1%
	Imports	2462	5754	14387	31479	19.6%	12.2%	12.3%	15.8%
	Balance	1290	1272	2823	5469				
<b>Malaysia</b>	Exports	1594	6142	21383	45941	14.6%	19.9%	18.7%	18.8%
	Imports	2675	13998	32131	60068	21.2%	29.6%	27.5%	30.1%

	Balance	1080	7856	10748	14128				
<b>Thailand</b>	Exports	1170	3829	15521	32738	10.7%	12.4%	13.6%	13.4%
	Imports	2423	8829	25636	38518	19.2%	18.6%	21.9%	19.3%
	Balance	1253	5000	10116	5780				
<b>The Philippines</b>	Exports	1499	3094	9088	19836	13.7%	10.0%	8.0%	8.1%
	Imports	517	6309	19508	18205	4.1%	13.3%	16.7%	9.1%
	Balance	982	3215	10420	1631				
<b>Low-Income</b>									
<b>Burma</b>	Exports	n.a.	908	1979	7349	n.a.	2.9%	1.7%	3.0%
	Imports	n.a.	170	645	2810	n.a.	0.4%	0.6%	1.4%
	Balance	n.a.	738	1335	4540	n.a.			
<b>Cambodia</b>	Exports	n.a.	295	1095	3411	n.a.	1.0%	1.0%	1.4%
	Imports	n.a.	26	39	361	n.a.	0.1%	0.0%	0.2%
	Balance	n.a.	268	1056	3050	n.a.			
<b>Laos</b>	Exports	n.a.	98	268	1721		0.3%	0.2%	0.7%
	Imports	n.a.	11	149	1021		0.0%	0.1%	0.5%
	Balance	n.a.	87	119	701				
<b>Vietnam</b>	Exports	1024	3180	15139	48599		10.3%	13.3%	19.9%
	Imports	217	1455	4343	16886		3.1%	3.7%	8.5%
	Balance	806	1725	10797	31714				

Source: China Ministry of Commerce, via CEIC database.

### Perceptible Improvements in China-India Relations

From 1991 to the eve of India's nuclear tests in 1998, there had been "a steady and substantial improvement in India-China relations". (Annual Report 1995-96: 4) Frequent exchange of high-level visits helped reinforce understanding and expand cooperation between the two countries. A series of Confidence-Building Measures (CBMs) were instituted to promote peace and tranquillity in the China-India border areas. Increasing bilateral contacts in various areas such as trade, technology and culture provided China-India relations with a multifaceted character.

### New Stage of China-India Relations (July 1999-December 2004)

Coming out of the shadow of India's nuclear tests, China-India relations have entered into a new stage since mid-1999. Irrespective of their specific expectations from this relationship, as the twin rising powers, China and India converged at the point that stable and cooperative relations between them would best serve their own national interests in the new century. If the last decade of the 20th century represented the "initial stage" of the transformation of China-India relations, in which the two countries reengaged with each other after a gap of nearly three decades, the first years of the 21st century witnessed "a steady consolidation" of their long-term constructive and cooperative partnership which would lead to "a qualitatively new relationship" between them. (Ranganathan and Khanna 2004: 182; Sino-Indian Joint Declaration 2003).

### China's India Policy

Given the fact that even the Indian nuclear tests were not able to shake China's resolve to befriend India, China unwaveringly continued its India policy which had been fashioned since the end of the Cold War. As the China-India relations were put back on track after Jaswant Singh's Beijing visit, China started to introduce some new steps into its efforts to strengthen mutual ties. In sum, China's India policy at this stage was characterised by the following features: to avoid any reference to the nuclear issue, even as it continued to maintain that India should sign the NPT and CTBT and refused to accept India as a nuclear weapon state; to put focus on economic cooperation; to explore new fields of cooperation; and, to maintain an even-handed approach towards India and Pakistan.

Although their differences on the nuclear issue itself were not the main cause for the deterioration of China-India relations after Pokhran II, they have become a new challenge to the bilateral ties anyhow. As far as China is concerned, it appeared to be very difficult to work out a balance between China's

position that India should sign the NPT and CTBT and India's request to be accepted as a nuclear weapon state. To resolve this dilemma, China reasserted Deng Xiaoping's initiatives in early 1980s and the consensus reached between China and India in 1988 which suggested the two sides to set contentious issues aside and concentrate on improving the relationship in other areas. During Indian President K. R. Narayanan's visit to China in 2000 and Li Peng's visited to India in 2001, China chose to avoid any reference to the unpleasant memory of the recent past. In fact, there was no mention of the nuclear issue at all. (Acharya 2000: 2093; Acharya 2001: 437-438) This was seen as "the Chinese approach that nothing would be allowed to mar the general air of goodwill and the future prospects of the relationship." (Acharya 2001: 438). Another significant gesture by China was its mild reaction to the Agni II missile test which India conducted just prior to the conclusion of Li Peng's India visit. In a "rather cautiously worded" statement by the Chinese Foreign Ministry, there was no direct criticism of this intermediate range ballistic missile test but warning against an arms race in the region.

After mid-1999, China started to lay more stress on its economic engagement with India. It was obvious that China expected economic cooperation to be the engine and the stabiliser of China-India relations pending the final solution of the border problem which would take more time. In each high-level contact during this period, China made economic cooperation a focus of the bilateral talks. On the occasion of Narayanan's China visit in 2000, China suggested that the two countries should expand their economic cooperation from bilateral to the regional level. During Narayanan's short stay in Kunming, the capital of China's south-western province of Yunnan, the provincial authorities formally sought India's support to the so-called "Kunming Initiative". (Acharya 2000: 2094-2095) The "Kunming Initiative" was originally put forward by scholars at Kunming's Institute of South Asian Studies in 1999. It called for sub-regional cooperation among south-western China, north-eastern India, Myanmar and Bangladesh. Accompanied by a large trade and business contingent, Li Peng made it a major focus of his 2001 visit to India to "explore new avenues for increasing economic exchanges and trade in the new century". (Acharya 2001: 438). By visiting Hyderabad and Bangalore, India's major IT centres, Li Peng conveyed China's keenness on cooperation with India in such fields as IT sector and software where India had made great strides. During the Chinese Premier Zhu Rongji's visit to India in 2002, it became clear that China "preferred to concentrate on the business of strengthening bilateral economic ties" (Cherian, 2002). Five Memoranda of Understanding and contracts worth more than US\$1 00 million were signed during this visit. According to the Chinese Ambassador Hua Junduo, China believed that "the orientation of future relations between the two countries would depend on the level of economic interaction."

Apart from strengthening economic cooperation, China also contented to explore the avenues for building diversified cooperation with India. The two major fields in which China showed great interest were bilateral cooperation on non-traditional security issues and coordination in multilateral fora. As China attached greater importance to the non-traditional security issues such as terrorism, transnational crimes, environmental degradation and drug trafficking, it started to explore the possibility of cooperation with India in this field. During Narayanan's visit, China for the first time brought up the subject of international terrorism and the need for India and China to cooperate at the global level to combat it. In 2001, in a conversation with the Indian media, Li Peng made "the most forthright statement" of China's desire for cooperation with India to combat terrorism (Acharya 2001: 438). Since then, the need for combating terrorism has become a routine topic of the bilateral talks. Moreover, China expected a joint contribution by China and India in fashioning a new world order. In his Four-Point Proposal on Sino-Indian relations, which was put forward during his meeting with his Indian counterpart Narayanan, the Chinese President Jiang Zemin called for strengthening the bilateral "coordination and cooperation in international affairs, and make(ing) joint efforts for the establishment of a just and reasonable new international political and economic order" (Acharya 2000: 2095). During Li Peng's 2001 visit to India, he again expressed China's desire to join hands with India to promote multi-polarity for world peace and "ride the tide" of globalisation for common development, in order to bring about a "just and fair" new political and economic order (Acharya 2001: 439). During Zhu Rongji's 2002 visit to India, it was announced that the two countries would hold regular dialogue on this subject and constitute an anti-terror consultation mechanism (Cherian, 2002).

### **India's China Policy**

Taking a more comprehensive security perception since the mid-1990s, India saw more opportunities than challenges in its relations with China after the bilateral ties came back on track in mid-1999. India was convinced that a constructive cooperation with China would serve its national interests at the juncture of the new century. India's China policy in this period reflected its comprehensive approaches to its national security. With territorial security still on top of its security agenda, India tried its best to keep the border talks at the core of its bilateral contacts with China. Having upgraded economic security to the same level as military and political security, India was committed to solving its difference with China through dialogue in order to keep a peaceful and stable relationship with its largest neighbour. As a result, India initiated a security dialogue with China, hoping that most of its security concerns regarding China could be discussed and solved under such a mechanism. At the same time, India made serious efforts to establish and develop new partnership with other major powers which could be construed in terms of balance-of-power politics and thereby counterbalance China.

From India's perspective, "the border continues to be the centrepiece of the relationship" before the final solution is reached, although "it is no longer a stumbling block to further progress" (Acharya and Deshpande 2003a: 2941). The sooner a final settlement is reached, the earlier would considerable military and financial energies of India be released for other more purposeful activities? Dissatisfied with the "static" nature of the border talks till then and suspicious that China might not be "very forthcoming or desirous of accelerating the pace of the discussions" (Acharya 2000: 2094), India has invested more efforts since mid-1999 to keep the border issue at the centre of its interaction with China. In each high-level contact between India and China, the border issue was always one of the first things brought up by the Indian side. During his 2000 visit to China, the Indian President Narayanan told his Chinese counterpart, Jiang Zemin, that although it was nobody's case that the contentious border could be easily resolved given the extremely complex dimensions, it ought not for that reason be left to later generations to tackle. (Ibid) To speed up the border talks, India worked for more political initiative and intervention at the highest level on both sides. The appointment of special political representatives in 2003 could be seen as an achievement of India's efforts in this regard.

### **Logic of Better Bilateral Ties**

Refining upon Adam Smith's Theory of Absolute Advantage, another classical economist David Ricardo gave the concept of 'Comparative Advantage Model'. According to Ricardo even if the countries did not have absolute advantage in any line of production over the others, international trade would still be beneficial, bringing gains from trade to all the participating trading countries. The Theory of Comparative Advantage suggests that a country should specialize in the production and export of those goods in which either its comparative advantage is greater or its comparative disadvantage is less. And it should import those goods, in the production of which its comparative advantage is less or comparative disadvantage is greater. Thereby, a country would be able to maximize its production and its consumption (Adams John; 1972).

In contrast to Adam Smith for Ricardo, if a country has absolute advantage over the other country in both the lines of production and the other country has absolute disadvantage in both the lines of production the gainful trade is possible for both the countries. Ricardo assumes that a country (which has absolute advantage in both the lines of production) has greater comparative advantage in one line compared with the other line, in which its comparative advantage is smaller, whereas the other country's (i.e. the one which has no absolute advantage in either line of production) comparative disadvantage is smaller in the second line compared with the first line of production where its comparative disadvantage is greater.

In a nutshell, one country's comparative advantage is greater in one line of production, and the other country's comparative disadvantage is smaller in the other line of production. If these two countries enter into trade with each other, it would result in production and consumption gains for both the countries. Hence it makes sense for both India and China to strengthen long-term bilateral ties.

## **Conclusion**

China is perhaps the best example of the positive connection between openness and economic growth. Reforms in China transformed it from a highly protected market to perhaps the most open emerging market economy by the time it came into the World Trade Organization at the end of 2001. The focus of this paper has been on manufacturing, but China's WTO commitments are also leading to a very significant opening in services. For example, the chief U.S. negotiator on China's WTO accession has characterized China's commitment to liberalize its distribution system as "broader actually than any World Trade Organization member has made." Thus the positive stimulus that international competition provides for technical change and managerial efficiencies will not be limited to manufacturing but will extend increasingly to the services sector as well, where China's commitments to increased openness go beyond those made by most other members of the World Trade Organization.

The history of Indian foreign policy and Sino-Indian relations suggests that India will not concede to live under Chinese dominion in a unipolar Asia. John Garver is correct to point out that the success of national revitalization policies by Narendra Modi in India and Abe Shinzo in Japan will do much to determine the degree of multi-polarity in 21st century Asia. The decisive variable will not be the trajectories of India and Japan, but the future role of the United States as the region's (offshore) primary power. Yet, acknowledging the important potential roles to be played by South Korea, Russia, and Southeast Asia, within Asia, we should recognize that the triangular relationship among the region's three leading states will do most to determine the constellation of power and the nature of regional order.

Having put economic resurrection at the top of his prime ministerial agenda, Modi sees the East as being as, if not more, important to India as the West. The large pools of surplus capital of China and Japan, their willingness to invest long term in infrastructure and attach less strings and conditions makes the Asia-Pacific an attractive and potentially preeminent economic partner. East and South-east Asia policy are also much more crucial to Modi's foreign policy focus on the smaller Indian neighbours: Nepal, Sri Lanka, Bangladesh, and Myanmar. Indeed, recent thrust of the government on 'Make in India' (Jha, 2015), necessitates a stronger focus on cooperation with China so that both the countries can benefit from a surge of manufacturing opportunities likely to come from European and American transnational corporations in the years to come.

There is the perception that China needs a minimum economic growth rate of 8 percent to provide employment and resource distribution to ensure social stability. However, a case can be made that the law and order capacity of the Chinese state appears adequate to snuff out and prevent any local protests from snowballing across major cities and provinces even if economic growth were to dip below 8 percent. Insofar as a majority of its population believe that the system in China holds the prospect of a better life for themselves and their offspring, it is unlikely for any nation-wide movement to emerge and challenge the rule of the Chinese Communist Party (CCP). Moreover, the CCP has never allowed any alternative and autonomous organizations to emerge as a potential challenger to its rule. Whether it is the quasi-religious Falungong or the pro-democracy movement of Tiananmen in 1989, they have been ruthlessly nipped in the bud. Apparently, the CCP has the iron will, confidence, resources and coercive capacity to rule in the years ahead.

In conclusion, it would be fair to say that the political class in the two countries, both at the national and state/provincial levels, have displayed maturity and foresight in seeking to strengthen the bilateral relationship. The business community and intellectuals from both countries have also contributed to the improvement in relations and the removal of misconceptions and misunderstandings. It is imperative for all stakeholders, not just political players, to play their part in bolstering this very important relationship. The role of sub-national political entities is crucial in this context. Apart from this, it is important that the regional leaders' forum that has been begun does not focus merely on a few states which have close economic links, but seeks to expand the partnership to build linkages between states and provinces which have historical links, and are keen to promote greater people-to-

people contact, or those which have commonalities in areas like agriculture an example being Punjab and Jiangsu.

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