

Sino-Indian Economic Integration Opportunities, Challenges, and Future Prospects

Farah Zaheer

faraxaaher@gmail.com

Department of Peace and Conflict Studies, National Defence University, Islamabad, Pakistan

Nadia Shaheen

nadiashaheen827@gmail.com

Lecturer, Department of Political Science, University of Swabi, Swabi, Khyber Pakhtunkhwa, Pakistan

Samia Jabeen

green.jabeen@yahoo.com

Lecturer, Department of International Relations, University of Swabi, Swabi, Khyber Pakhtunkhwa, Pakistan

Sakeena

sakeenamehak@gmail.com

Department of Political Science, Women University, Swabi, Khyber Pakhtunkhwa, Pakistan

Corresponding Author: * Nadia Shaheen nadiashaheen827@gmail.com

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ABSTRACT

China and India two of Asia's largest nations, hold significant geographical importance for each other. China's strategic location in East Asia and India's position in South Asia create a dynamic where both countries influence each other's regional policies and economic interest. The 21st century has seen a significant shift in global economic landscape, with India and China emerging as two of the world's largest economies. This article explores the "Great Game" of India –China trade competition, examining the opportunities and challenges of economic integration between the two nations. We analyze the current state of bilateral trade, highlighting areas of cooperation and competition, and identify prospects for improved relations and collaboration on energy resources. This study employs a qualitative approach, analyzing secondary data likes (books, Articles), and existing literature on Sino- Indian economic relation. Both countries (China and India) are important for each other but also faced differences on Borders Disputes: ongoing tensions & territorial claims, Trade imbalance: India's growing trade deficit with China is a concern. Strategic competition: India and China compete for influence in the Indo- Pacific region. China and India have addressed issues through diplomatic exchanging and statements aimed at decreasing tensions for better clarity.

Keywords: Sino-Indian relations; Economic integration; Trade competition; Indo-Pacific; Economic cooperation.

BACKGROUND OF THE STUDY

The relations between China and India in present century seems more like an amalgamation of cooperation as well as regional competition, this mixed nature of Sino Indian bilateral relationship is shaping up the Situation of "complex interdependence". It is perceived that in the coming times. the two Asian economic giants along with Japan will come forward as the main power centers and the political future of Asia-Pacific region will depend very much up on the type of relations that these three regional powerful countries will form with each other.¹ Both countries have emerged in recent times as the most influential and strong Asian nations in economic dimension, so it can be rightly said that the Sino - Indian bilateral economic integration enormous potentials for economic growth and development. In 1988

during Indian premier Rajiv Gandhi's formal visit to China, Chinese revolutionary statesman Deng Xiaoping firmly emphasized that both China and India shall focus upon their economic growth, according to Deng both countries since 1960s till early 80s have wasted about 20 years in fighting with each other, whereas in the meanwhile both nations could have built strong economy by strengthening links.² In twenty first century after the integration of trade and economic ties between China and India much positive and vibrant change in policies of both countries towards each other can be visualized. China is successfully using trade as an effective tool to establish diplomatic relations with her rival states. In recent times, China's bilateral trade relations with the most problem causing neighbors countries like India, South Korea and Japan are growing deep. China's trade associations with her neighboring nations Japan and South Korea have rapidly increased from an amount of \$16.9 billion (US dollars) and US\$ 10.8 billion (US dollars) respectively in year 1990 to a massive amount of US\$98.9 billion and US\$37.4 billion (US dollars) respectively in year 2002, this considerable growth in trade amount is making them most esteemed trading partners of each other. China's collective trade with both Japan and south Korea was calculated be \$ 213 billion (US dollars) in the year of 2004.

Over the same period of time China's bilateral trade with India increased from an amount of \$ 0.3 billion (US dollars) as calculated in 1990 to \$4.2 billion (US dollars) by the year 2002. but Since then Sino Indian bilateral trade has augmented much faster reaching to an amount of US\$ 6,65 billion for 2003 and US\$ 13.6 billion in 2007.³ China is considered as a fast emerging and a peace loving nation, also China is trying to improve her ties with neighboring countries including India to extend nation bilateral trade relations and natural economic benefits, this very much reflects Chinese inclination towards their economic welfare and policy of close economic integration. China under the supervision of Deng initiated her economic reforms in 1978 .⁴ Whereas the economic reforms in India took place in year of 1991 which allowed easy access to cheap raw the materials were useful for growth of Indian Industries.⁵ As the result of economic policies given in 1978 and 1991 respectively by China and India both nations have developed in gigantic economies. Both China and India are raising together side by side powerful regional and global actors. Unlike India and China is considered as the main global manufacturing hub for different goods, also the glut of China's ongoing trade with European Union and United States distinguishes her economic structure and capacity for India. Both China and India through bilateral and interdependent economic ties sustained positive economic developments also both nations have immense potentials to become powerful "growth poles" of overall international economy. Nonetheless, China is globally recognized for having huge economic growth, China is showing more progress than India in trade and also Chinese financial position is far stronger as compared to India. China's contribution in global economy is large i.e. almost about 13 percent share in total global economic output calculated in 2009; whereas India's share in global economic output is only 5 per cent as calculated in 2009. However, both People's Republic of China and India perceive their bilateral trade and economic integration as a consistent and helpful tool for growing their political rapprochement. India bilateral trade is mounting rapidly and is useful much in deepening economic and political ties of both countries. Also, this relation of interdependence and economic collaboration between China and India is providing a golden opportunity to both countries to shape up their bilateral relationship in a constructive manner and allows both nations to get absolute economic benefits and cooperate in their political matters.⁶

THE GREAT GAME: INDIA-CHINA TRADE COMPETITION IN THE 21ST CENTURY

The People's Republic of China officially resumed her bilateral trade link with India in year 1978. In 1984 the two sides mutually signed the record of most Favored Nation (MFN) as both China and India started to enjoy the best trade term which they offered each other in their bilateral trade partnership.⁷ Sino-Indian trade amount was much low in year 2000, it was just 54.92 billion (US dollars) in 2000 but rapidly the trade amount climbed up to an amount of \$ 51.9 billion (US dollars) in 2009, this progress in trade made China the chief trading partner of India. Today China is seen as India's principal trading

partner also exchange of different valuable goods is increasing b/w both nations before 2008 United States was the main trading partner of India but China since 2008 is trying to replace the United States in trade with India, But due to the world economic recession by the end of year 2009 bilateral trade b/w Sino- India went down to an amount of \$ 42.37 billion (US dollars)) approximately trade growth declined to 16.3 per cent). But this loss in growth rate was covered in 2010 when the Sino-Indian bilateral trade jumped up to \$ 61.84 billion (US dollars), so growth rate was raised to 43 percent as evaluated in 2009 over the same period of time. In recent years, India's is also trying to expand her economic ties; trade and investment links with People's Republic of China to a significant amount.⁸ Today, China is said to be India's leading and most important trading partner with their bilateral trade exceeding to an amount of \$72.83 billion (US dollars) in goods as calculated by year 2015, however previously in 2014 the reported trade amount in goods was \$70.34 billion (US dollars). India's trade deficit with China mounted to a whopping \$46.56 billion last year as Indian exports continued to decline while the bilateral trade marginally slowed down by 2.1% to nearly \$71 billion. The total China India trade in 2016 amounted to \$70.8 billion, a decline of 2.1% as per the trade figures released by General Administration of Customs (GAC).

China exports totaled to \$58.33 billion, registering an increase of 0.2% compared to 58.25 billion in 2015 this rapid decrease in trade amount b/w both states could be attributed to dropping down of GDO in both nations. Increasing trade deficit of India with China can be a cause of comparatively increase in demand for imported Chinese goods in India. To minimize the huge gap trade shortfall with China, India is much keen and invited Chinese government and Chinese investors to invest huge projects in India. The Chinese exports to India are of massive amount as compared to Indian export products that are exported to PRC also China is among one of the first three chief trading partners of India while India is one among the ten chief trading partners of China. In addition, China's trade is growing much faster with India as compared to her trade with the rest of nine important trading partners and same is the situation with India. The international economic recession has also severely affected the growth rate of ongoing trade between PRC and India. During the period of severe economic crises from January to April 2009 Sino- Indian trade went down by -28.70% .⁹

AN OVERVIEW OF ECONOMIC INTERDEPENDENCE BETWEEN CHINA AND INDIA: OPPORTUNITIES FOR ECONOMIC COOPERATION AND IMPROVEMENT IN BILATERAL RELATIONS

From last twenty-five years PRC and India are performing a very important role in enhancing world economic, both sides are having capabilities to grow trade and economic integration and share mutual trade benefits between them. Together both nations are strengthening their trade and industry and having their huge share in contribution to global economy, also both sides are to have closer economic interactions for promotion of vast trade. Sino Indian bilateral trade is having more potential to build cooperative relations politically and in terms of economy b/w both countries. In 21st century both China and India learnt that cooperation rather than hostile attitude is in favor of both nations. Through strong economic integration both states can overcome old discrepancies and settle their issues effectively in peace. Also, there are numerous opportunities for both sides to gain benefits from each other through bilateral trade. The People's Republic of China has a great desire to improve her relations and interdependence with her neighboring nations particularly with India to settle past differences and expand trade benefits. Economic Interdependence in the bilateral relations of China and India provided them access to newmarkets.¹⁰

With the commencement of political dialogues between the heads of both PRC and India the bilateral trade relation between China and India took new heights in late 1980s. The friendly political talks between both countries also the main focal point of these mutually signed bilateral agreements was

economic integration between PRC and India which gradually led to identification of their common interest in trade and economic benefits. Among other mutual agreements during 1990s was the agreement over bilateral trade that provided the status of Most Favored Nation (MFN) to both Asian nations. Furthermore, by the year 1991 India launched her economic reforms which were firmly followed by the border trade agreement. This border trade agreement was initiated through Sikkim border route between India and PRC.¹¹ The people's Republic of China launched her "open door policy" successfully by the year 1979 and China took a step forward towards development of her industry and economic whereas in India economic reforms happened a decade after Chinese economic reforms.

However, before the trade and economic liberalization of PRC and India there was very slight economic interaction which took place between both countries. Below are described how bilateral economic interactions and interdependence played an imperative role in enhancing Sino-Indian relationship. Recently, bilateral relations between China and India seem to be much established than before. This stability and constancy in Sino Indian bilateral relations is brought through process of trade liberalization, interdependence in their relations, economic cooperation and also by the gradual modification in political mind set towards each other. In first place, at domestic level the economic reforms and policies of liberalization of trade in China and India provided new potential to their bilateral relationship, where both sides are getting benefits from trade and cooperation. Secondly, the growing trade associations between PRC and India led to more independence in their relationship. Formally, at political level frequent formal exchange of visits has been observed and also on cultural level the cultural interaction between general population of both nations has increased i.e. the use of multiple channels in Sino-Indian relation. In the present times as the result of ongoing bilateral trade and more interdependence in relation of PRC and India the use of military force is becoming quite costly against each other. As expansion of trade and increasing interdependence require good bilateral relations between independence countries so both China and India cannot afford to enter into an arm conflict with each other because by doing so their economic growth and bilateral trade will be badly affected.

By the end of year 2003, Indian premier Atal Bihari Vajpayee paid a formal visit to China, the premiers of both countries cordially signed a declaration regarding "basic Principles for Sino-Indian bilateral relations" and also declared to cooperate over wide-ranging issues which included trade, boundary problem and energy resources. Additionally, a panel of special representatives was appointed from both sides the task of this panel was to discover a reasonable framework for settlement Sino-Indian boundary dispute in light of the political perspective of leaders of both nations regarding border issue. This Group of representatives was named as the "Joint Study Group" or (JSG). The bilateral agreements of 2003 regarding certain principles in Sino-Indian relations and agreements regarding collaboration in bilateral relations are seen as a step forward in development of cordial ties b/w two nations. In 2005 a new phase of Sino- Indian relations took its shape i.e. both states entered a phase of strategic and cooperative partnership. Both India and China realized that they need to give each other more resources and shall strengthen their economic ties to enjoy huge economic benefits. Chinese premier Wen Jiabao went to India in 2005, the heads of both China and India issued a joint statement regarding Sino- Indian bilateral economic cooperation and also both countries signed documents which were focusing mainly upon bilateral collaboration b/w both side for example "Agreement on Political Parameters and Guiding Principles for the Settlement of the China India Boundary Question", "the memorandum of understanding (MOU) Launched for Final Dialogue b/w the PRC and India", Report of China – India joint study group on comprehensive trade and economic cooperation". Both sides agreed to establish a firm strategic partnership and mutual cooperative ties for harmony and prosperity.¹² Hu Jintao went to India in Year 2006, both nations signed "Joint Declaration" regarding bilateral economic integration.

Also the leaders of both People's Republic of China and India discovered that there is sufficient space for the two states to collaboration and attains large scale development mutually, the premier of both

countries acknowledged that both PRC and India are partners and friends they shall not be considered by each other as aggressive rivals or competitors".¹³ "Also India marked 2006 as the year significant for her Friendship with China".¹⁴ The further improvements in relations of both nations were achieved in the same year through initiation of border trade b/w China and India. The boundary trade started from Tibet region organized as an independent region of China through Nat Bula pass. Net Bula pass was reopened for trade purpose between China India after about 40 years. Also, the reopening of this pass believed stress in the bilateral ties between countries and provided a platform for Sino- India close economic integration and coordination.¹⁵

In January 2008, to develop strong relations with People's Republic of China Indian Prime Minister Man Mohan Singh officially went to China. The high government officials of China and India announced that both China and India trust that in this Century their strong bilateral relationship will be of large importance regionally and at international level, both nations kept the foundation of "A Shared Vision for the 21st century of India and China" In their meeting heads of both People's Republic of China and India discussed their plan about "shared vision for twenty first century" which aimed to fortify strategic as well Cooperative partnership for harmony and prosperity between the two nations. Both acknowledged that China and India bear huge responsibility of ensuring a sustainable economic growth and social advancement of both China and India to effectively promote peace and positive development in Asian region and also in the entire world. Premiers of China and India were much convinced and achieved that it is time for both nations to look forward into the future aspects of Sino Indian bilateral links to re-establish a firm relationship of trust and close partnership, based on equality. Both countries shall be sensitive to concerns and apprehension of each other and also shall Support the aspirations of each other. The two nations reiterated that Sino Indian strong and their common Socio- economic development will influence the future of the international system in a quite positive manner. Also the Chinese official media in February 2008 highlighted that both People's Republic of China and India want to established cordial relation with each other with in less period of time.¹⁶ By the year 2010, the cultural link and tourism between both nations soared up to great extent, also the Chinese Prime Minister Wen Jiabao cooperated with India in Wide range of cultural matters to further fortify cultural exchanges and people to people interactions b/w them. Due to frequent cultural exchanges between India and China in 2010 was pronounced by both countries as the "Year of Exchanges". The growing trade and informal exchanges b/w people of two side is changing the negative mind set and attitude of general citizens toward each other this mind set was developed in 1962 boundaries war. Also 2013 the military interaction is becoming much frequent military exchanges are increasing between India and China in recent time, both nations have worked together closely to counteract against the non- traditional security threats, particularly in struggle against terrorism the military forces of India and China. Despite of past differences over boundaries b/w them enlarge their bilateral trade associations.¹⁷

Although India was much fearful about Chin's intensions in the beginning Indians perceived that the Chinese companies working in India will very soon out weight local companies of India but this growing competitive environment has rather pushed Indian companies to become more efficient and learn to survive in difficulties, this positive competitiveness between local Indian companies and foreign Chinese companies that are operating in India have in turn made Indian companies more strong and competitive on international scale. Since early 90s, the Sino Indian bilateral economic integration has largely expanded and continuous to grow rapidly each year.¹⁸ Till today unlike PRC, India is considered as the only flourishing country that is depending upon her brainpower for development, and is not relying much on her manpower and resources. Whereas, China depends much on her man power to produce locally manufactured products. However, this seems rather interesting, that India's unique development is having rather complementary effect on China's manpower-based development, with a strong manufacturing sector.¹⁹

COOPERATION OVER ENERGY SOURCES

There are many fields in which both PRC and India, if cooperating, can have a much gain mutually. The energy sector is viewed as one of those areas where both China and India are trying their headlong to get more benefits. As the requirement for oil resource is growing for industrial use in both states, the Sino-Indian struggle over oil resources is becoming more obvious and inevitable. But by forming a firm Alliance, two Asian powerful countries having similar energy goals can become much and together they can hunt for and explore oil & other precious natural resources. Since very long, the bilateral associations of China and India are getting much intensified because both countries are trying their headlong to get easy access of energy and essential minerals & water resources. Both sides are trying to secure their socio-economic development and require oil energy to sustain their industrial growth, to serve this purpose i.e. their parallel national interests. Both PRC and India, despite of having huge trade collaboration, are yet locked in a huge struggle to get their hands on water & energy sources in order to protect their national development and industry. In fact, for domestic use, both China and India are facing a dearth of enough energy sources including oil to fulfil the requirement of their huge industries & this situation compelled both nations to receive oil and other energy resources. In present times, the contemporary market for energy resources, especially for oil resources, is enormously competitive, especially for both China and India as both are so far considered as new actors as compared to United States and other western powers, where the western powers have established for themselves much favorable and dominant position and are capable of securing the most compatible energy resources for their use.²⁰ As already mentioned in earlier chapter, both People's Republic of China and India, approximately more than one third of entire world's population, both countries are said to be thickly populated so the energy needs and oil consumption of both is twofold in amount as compared to other countries on globe. The swift growth of economy, trade and industrial sector in China and India are immensely affected by the deficiency of energy resources. With the rise in industrial growth and trade, the demand for energy resources of these two Asian countries is expanding; it is therefore said to be greater than before, for instance, the People's Republic of China will need an annual increment of 5% in her energy resources to effectively sustain an 8% in GDP. However, in Chinese perspective, collaboration over the existing energy and oil resources is a much better option for both countries to sustain their industrial growth than regional struggle and contest over resources. Also, there are several advantages of cooperation field of both influential Asian states; they both together can strengthen their competitiveness for energy resources as a whole in the international market and can share unique experiences and techniques for production of more energy.²¹ Recently, both People's Republic of China and India have established close cooperation over oil resources found in Sudan and so far collaboration over Sudan's energy resources is working much efficiently without causing any troubles in Sino-Indian relations and hence is said to be fruitful in terms of cooperation over energy.²² Also, China constructed a huge oil refinery additionally in Khartoum to get easy access of Sudan's oil resources (Sudan).

CONCLUSION AND RECOMMENDATIONS

The increase in number of high-profile frequent visits i.e. use of multiple channels to enhance Sino-Indian bilateral relations added much in strengthening of close cooperation and also eased boundary problems to some extent. China is using trade as a motivational tool to improve her bilateral ties. The prominent changes in policies of People's Republic of China and India towards each other in recent times have attracted much attention of international scholars and policy makers towards South Asian region. Both China and India have productively adopted new positive trends in their domestic as well as foreign policies to reinforce their mutual cordial ties. The re-opening of Nathula pass for trade purpose in 2006 and the initiation of e-visa program for Chinese tourists are two landmarks in the Sino-Indian relations which paved way for greater bilateral cooperation between both ancient Asian civilizations. Unfortunately, the peoples of China and India lack a broad and rational understanding of each other.

Particularly in Indian media, China is often seen as a dangerous competitor; In China, a few nationalists express strong dislike for Modi's government also according to them India shall not be recognized as a regional and global power. This kind of attitude towards each Other will injure bilateral cooperation in Sino Indian relations. As mutual distrust between these two Asian countries has affected the development of their relationship in past both countries shall learn to resolve their issues in peaceful and more cooperative manner.

Presently, there seems an asymmetry in perceptions of both states about each other, In particular despite of huge bilateral economic cooperation, India fears China's rise in Asian region, also India politically views China as a competitor. In contrast to Indian political perspective, China views India more as a development partner, rather than a regional competitor, also Chinese investors are willing to invest in India and establish huge industrial Parks in Maharashtra in Gujarat regions of India. Like their ongoing economic cooperation China and India can also manage to cooperate strategically and become good strategic partners in Indian Ocean and South China Sea region, also viewing each other as hostile regional competitor will affect trade and cooperation and dent their bilateral relations. The mutual & Suspensions towards each other will affect the efficiency of trade therefor to achieve the goal bilateral cooperation based on common interests both China and India need to adjust their political perceptions regarding each other and also recognize each other as economic and strategic partner in actual manner. On the regional level, China and India are stakeholders in maintaining regional peace stability and prosperity. They should go beyond zero-sum thinking and employ a cooperative attitude to resolved their differences & address common regional challenges, globally they should play a greater role in the process of reforming global governance. Despite the development that has occurred so far, however, there are still many constraints in bilateral relations between PRC and India for example recent tensions over visit of Dalai Lama. Such problems in their relations affect political, economic and security co-operation. Considering their economic relations, the current status of India China cooperation does not match the economic scale of two countries. However, there is a huge opportunity for them to expand the size of their markets & deepen their economic interdependence.

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