Evolving Symmetries in Asian Economy: India's Chances and China's Stakes

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Abstract
The economic growth of India has been consistent since last two decades when it decided to open up the economy further and de-regulate the state control over key areas of economy. Though a few schools of thought compare the 1991 reforms of India with that of China's 1978 'opening up', with less doubts at both instances, 'crisis' forced a rethinking of the development strategy. The Indian opening up was triggered by more economic reasons than political, which was the case in China. Over two decades of economic reforms and experiments have made India's economic policies more robust and scaled better, even better than the Chinese economy. In terms of growth rate and new start-ups, the Indian industries are cruising at a phenomenal speed.
The comparative literature on the India-China economy and debates such as 'Can India overtake China' hold no ground in the present context when India has mature economic policies as China is looking for more opportunities in India to grow. India's growth is in favor of China and the more the policies of Indian economy remain open and progressive for foreign investors, it is in China's advantage. The recent slowing down of Chinese growth and its policy of internationalization can well be explained in the emerging economic symmetries in Asia.

Resumo
Simetrias Envolventes na Economia Asiática: As Possibilidades da India e as Apostas da China

O crescimento económico da Índia tem sido consistente nas últimas duas décadas quando decidiu liberalizar a sua economia, reduzindo o controlo estatal sobre áreas-chave. Ainda que várias escolas de pensamento comparem com poucas dúvidas as reformas efetuadas na Índia em 1991 com as da China em 1978, a 'crise' forçou a um reequacionamento das estratégias de desenvolvimento. A abertura da Índia foi espoletada mais por fatores económicos do que políticos, como foi na China. Duas décadas de reformas económicas e experiências tornaram as políticas económicas da Índia mais robustas e com maior e melhor escala, mesmo se comparadas com as da China. Em termos de crescimento e de *start-ups*, as indústrias indianas estão agora numa velocidade de cruzeiro que é deveras impressionante.
A literatura comparativa sobre as relações económicas Indo-Chinesas e os debates como 'Pode a Índia Ultrapassar a China' não têm suporte no atual contexto no qual a Índia apresenta políticas económicas mais maduras, onde a China procura explorar oportunidades de investimento. O crescimento económico da Índia favorece a China e quanto mais as políticas económicas de Nova Deli forem progressivamente liberalizadas e se tornarem ainda mais recetivas ao investimento externo, maiores serão os benefícios para Beijing. Neste contexto, a desaceleração do crescimento chinês e a sua política de internacionalização podem muito bem ser explicadas pelas emergentes simetrias económicas da Ásia.

2016
N.º 142
pp. 72-86

In 2016, China will launch its 13^{th} Five Year Plan and complete the procedure to become the premium currency by being a part of IMF's SDR basket of currencies. It may mark the conclusion of talks related to Regional Comprehensive Economic Partnership (RCEP), where the Chinese are leading the discussion and moderating the negotiations among the prospective member countries and also the attainment of full membership at WTO with the recognition of a market economy. The year ahead would also mark China's struggle to look for stakes around its neighboring regions to transfuse its own growth. The slowing down of its GDP rate indicates that the country would grow slower over the next decade.

On the other hand, the Indian economy is keeping Asian hopes high by cruising at a modest rate, rather competitive than China's. Even if the Indian economy grows slower as per the projections by global rating agencies such as Fitch and Moody's, often well below the state's projections, the growth rate would be better than China (Mehra, 2015). 2016 would witness India's growth surpassing that of China's 7 percent growth (NBS, 2015). India with its upward growth offers a vast number of opportunities for the world economies, including China, to find complementarities and benefit from this upward swing. As China learns to lay low, India offers the best of opportunities.

1991 Reforms and India's Early Attempts to Develop Economic Complementarities

As far as the policy augmentation is concerned, India introduced market oriented reforms in 1991 with its own characteristics but the policy reviews in the earlier years made the growth look evenly transplanted throughout the sectors (Virmani, 2005). The external and internal borrowing that supported the fiscal expansion was unsustainable and culminated in a balance-of-payments crisis in June 1991, which however, the government turned the crisis into an opportunity. Instead of reversing the course of liberalization, the government launched a truly comprehensive, systematic, and systemic reform program (Panagariya, 2004). As a result, India is often termed as a latecomer to economic reforms (Ahluwalia, 2002) but following the swift decisions during the tenure of the then Prime Minister Narasimha Rao, India pursued a successful recovery and followed a 'gradual' but convincing liberalization process and economic uptrend. Since 1991, India's GDP has quadrupled, its forex reserves increased from US$ 5.8 billion to US$ 316.31 billion (The Hindu, 2014) and exports from US$ 18 billion to US$ 360 billion (NDTV, 2014). In 1991, India's GDP growth vis-à-vis China was non-competitive and the economy had less to offer to the investors who sought reforms in industrial and trade policies, liberalizing of foreign direct investment and the infrastructure development. In 1990-91, India's real GDP recorded 5 percent of growth which hovered around 5.7 percent per annum throughout the decade of 1990-1999 but accelerated further to 7.3 percent per annum in 2000s. Similar to the growth-led economies around the world and in the neighborhood East Asian countries, post-1991 economic growth featured acceleration of industry and services sector at the cost of agriculture.

To note, some of the complementarities which the Indian economy engaged in creating throughout the 1990s include abolition of import licensing, the trade policies which were introduced with the aim of accentuating competition in the industrial structure that had become highly inefficient under a protective trade policy (Ahluwalia, 2002). Moreover, the tariff rates were brought under control and made more trade friendly. Although the existing rate of tariff is not considerably lower than the other developing countries, it is significantly lower than the level of 1990. For example, between 1991 and 2004, under the liberalized regime, the quantitative restrictions over imports of manufactured products, especially consumer goods and agricultural products, which were about 90 percent before the economic reforms (end-1990), were finally removed on April 1, 2001 (Virmani *et al*., 2004; Ahluwalia, 2002; Panagaria, 2004). Moreover, the import-weighted average tariff rate on manufactured products was progressively reduced from 72 percent in 1990 to 24.6 percent in 1996-97 and further brought down to mere 15 percent in 2004. But the present average applied tariff of 12.4 percent is still high compared to China's 7 percent (Sarkar and Patrick, 2015). During 1990–91, the highest tariff rate stood at 355 percent, the simple average of all tariff rates at 113 percent, and the import-weighted average of tariff rates at 87 percent (Panagaria, 2004). As a result, India's trade with countries like China grew from dismal to billions within a short span, especially after 2001.

Liberalizing foreign direct investment was another important part of India's economic reforms, driven by the belief that this would increase the total volume of investment in the economy, rally production technology, and increase access to world markets. Hence, the de-licensing of investment and FDI was as critical as tariff liberalization. The restrictions on FDI and portfolio investment were eased with regular intervals. But it was not until 2001 that the government decided to allow 100 percent foreign investment in several industrial sectors (Srinivasan, 2001). According to the noted economist and present Vice Chairman of NITI Aayog of India (National Institution for Transforming India Aayog)[1], Arvind Panagariya, the FDI and foreign investment was crucial for India's stellar growth, as it happened in China's case. Panagariya further argues that the differences between India and China on this front are noticeable: FDI into China rose from US$ 60 million in 1980 to US$ 3.5 billion in 1990 and then rocketing to US$ 42.1 billion in 2000. On the other hand, even though China was slower in opening its market to portfo-

1 The Union Government of India announced the formation of NITI Aayog on 1 January 2015 to replace Planning Commission.

lio investment, inflows quickly surpassed those into India after the opening, reaching US$ 7.8 billion in 2000 (Panagariya, 2004). The response of FDI to India's policies was relatively modest between 1991 and 2000.

While the economic reforms of 1991 forced India to look for economic engagement with the outside world, major world economies also looked at India as a potential growth-led economy with underperformance and sub-optimal use of its potentials (Kronstadt and Morrison, 2004). On the external front, the major policies which were launched post-1991 were aimed at cultivating extensive economic and strategic relations with the neighboring countries as well as great powers. Although, the trade relations started gaining momentum after the gradual reforms were launched in trade and investment policies in the 1990s, India had to create a space when the East Asian economies and China were at the centre of global economics. The economic policies had to be appended by more liberal trade and investment policies along with overhauling of foreign policy priorities. Initiated in 1991, India's '*Look East Policy*' mirrored evolving strategic views and shift in India's perspective of the world. The consecutive central governments supplemented this forward looking policy with more pro-active policy initiatives which included Indian Prime Minister's visits to the major economic powers in Asia Pacific, including China, Japan, South Korea, Vietnam and Singapore. Moreover, India's recognition by ASEAN as an important dialogue partner in 1992.

Another striking feature of India's geo-economics was its growing economic outreach in the world. The Indian state not only revised the inbound investments but also let the outbound investments grow. More than the policy directives, with the liberalization in capital account and India's increased participation at multi-lateral forums, the outward FDI started to increase in the mid-1990s. The intensification of these reforms during the first term of Manmohan Singh led to a surge in outflows since 2005 following a significant capital account liberalization. With the reforms in outward investment, Indian businesses ventured in new geographies. Measures, such as removal of foreign exchange restrictions on capital transfers for acquisition of foreign ventures by Indian firms, have in particular boosted outward FDI from India. India's share in total developing economy FDI outflows remained below 0.5 percent throughout the 1990s, but increased consistently since 2005, reaching 3.8 percent in 2011 (EXIM Bank of India, 2014). The Indian businesses' interest in the international market been aptly supported by the foreign policy decision by the government. The policy planners emphasized developing multi-faceted relations ranging from political, strategic to economic and commercial. The head of the Indian state made diplomatic overtures to Western Europe, the United States, and China. The policy of engagement was pursued by consecutive prime ministers of India. The last Prime Minister Manmohan Singh also continued the pragmatic foreign policy which was initiated by former Prime Ministers, Narasimha Rao and Vajpayee.

Growth and India's Pursuit for Investments: Recent Policy Initiatives by the Modi Government

After Narendra Modi became the 15th Prime Minister of India in May 2014, the India's external economic policies became the centerpiece of foreign relations. The major policy initiatives focus on maintaining the growth of past two decades. The impact of these policies on trade flows, efficiency, growth and the future direction of trade policies is evident in its efforts to revitalize India's ties with smaller states in its immediate neighborhood as well as engaging the world's major powers. Various policies which were proposed by the government aimed at making India hub of global supply, value and production chain. The aim looks amicable with more global industries and businesses favoring India over China and other smaller countries in South East Asia. With the South African and Brazilian economies deep in economic trouble, India, among the BRICS countries, offers best opportunities to invest and multiply the businesses. Here are a couple of initiatives by the Indian state to naturalize its foreign economic policy interests:

> June 2014: Brazil – 6th BRICS Summit in Fortaleza, Brazil. The New Development Bank (NDB) headquartered in Shanghai was established. India took interest in establishing the bank and will have initial capital of US$ 50 billion. China is expected to make the biggest contribution of US$ 41 billion, followed by US$ 18 billion each from Brazil, India and Russia and US$ 5 billion from South Africa (The Economic Times, 2014a).
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> August 2014: Nepal – as part of its 'Neighborhood First' policy, where the government focuses on its immediate neighbors in South Asia, India offered Nepal a US$ 1 billion line of credit for infrastructure development. Japan – as part of his strategic visit to one of its largest lenders and investor, Modi paid a visit to Japan and was promised US$ 35 billion in infrastructure. As a special measure to facilitate the investments smoothly, the Indian government set up a channel named as 'Japan Plus' to expedite investments (The Economic Times, 2014b).
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> September 2014: U.S. – during the visit to U.S., India offered U.S. industry to be the lead partner in developing smart cities in Ajmer (Rajasthan), Vishakhapatnam (Andhra Pradesh) and Allahabad (Uttar Pradesh). Moreover, a plan to set-up Indo-U.S investment initiative with special focus on capital market development and financing of infrastructure was also finalized (MEA, 2014).
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> November 2014: Australia – 'The Indian Ocean Outreach' is another policy initiative by the present government to help connect with its maritime neighbors. Though the bilateral trade volume is much smaller of US$ 15 billion,

India hopes to offer Australia best deals in the field of economic cooperation and aims to conclude the ambitious Comprehensive Economic Cooperation Agreement by December 2016. Not to forget, India maintained its position as the largest source of skilled migrants, with the latest data recording over 40,100 Indians applying to migrate to Australia during last financial year, much above Chinese and British nationals (The Economic Times, 2014c).

May 2015: China – along with Western countries and Japan in Asia Pacific, India gave immense importance to the investment from China as well. In September 2014, during his visit to India, the Chinese President Xi Jinping promised to invest US$ 20 billion over five years. During Prime Minister Modi's visit to China, both countries signed 24 agreements worth US$ 22 billion in infrastructure development and other areas (Basu, 2015).

So far, the aggressive foreign economic policies and more foreign investment in India has been the key policy feature during Modi's rule. Incidentally, FDI inflows in the country in 2014-2015 jumped 27 percent to US$ 31 billion from US$ 24.30 billion in 2013-2014 (Basu, 2015). The process of liberalizing the Indian market is still being gradually pursued by the government. Along with his bilateral visits, Indian leadership's visit to the United Nations, the East Asia Summit (EAS), the G20 bloc, BRICS, the Shanghai Cooperation Organization (SCO), the India-Africa Summit and the Forum for India-Pacific Islands Cooperation indicates the prognostic importance of multilateral diplomacy to support the economic interests.

China Re-aligns its Economic Strategy and its Internalization Policy

China's bid for WTO membership and its urge to re-align its policies in the 21st century were critical for its economy. The engagement with the international economies became the basis of China's foreign economic policies especially in the wake of economic slowdown and rising monetary uncertainties. China did initiate a few efforts towards securing international economic interest but it was not until President Xi promulgated 'Silk Road Economic Belt' (SREB) (September 2013) and 'Twenty-first Century Maritime Silk Road' (MSR) (October 2013) that its strategic thinking of economic development became more clear and drove the internationalization of its economy (CPMJ, 2015). SREB and MSR were instrumental in providing critical thrust to China's new round of international engagements. As some Chinese term it, the '*One Belt One Road*' (OBOR) offered China a natural docking (*youji duìjie*, 有机对接) with international systems (China Economic Net, 2014).

More than just creating new markets, Chinese planners are systematically engaged in identifying geographies which would absorb Chinese competencies in production, supply and consumption. The Asian countries which neighbor China have varied capacities to respond to Chinese expansion. For obvious economic and geographical reasons, all Chinese international monetary architecture in the form of the New Development Bank and the Asian Infrastructure and Investment Bank have immediate interests on Asia. India's prominence in the international economic and financial terrain is seen as complementary to Chinese desperate expansion.

China's Search for Complementary Properties in India

The introduction of *zou chuqu* (走出去) or the '*going out*' strategy by China to facilitate its global rise along with evolving mechanisms aimed at coping with various economic risks such as the 1997 Asian financial crisis. Given their timeline and complementary properties, China's '*going out*' strategy attributes India's pro-FDI policy (IBD, 2015). The Indian states are playing a crucial filling in role. This was not practical during the pre-liberalization time (pre 90s) as discussed in earlier sections. The pre-liberalization division of federal responsibilities restricted the role of sub-national interests in India. The economic liberalisation in the early 1990s set off these interests and this brought the Indian sub-national forces an international attention. The CCPIT actively studied the legal as well economic dimension of Indian state during this period (CCPIT-EIC, 2007). The new market space, sources of production (including land and labour) at the sub-national level turned the sub-national geographies a hotspot for foreign direct investment (FDI) (FFD, 2014). This is attributed in a study conducted by Atri Mukherjee, which indicates that market size, agglomeration effects and size of manufacturing and services base in Indian states have significant positive impact on FDI flows (a reason why Chinese looked at India as an investment market) but what disrupts this flow is taxation and cost of labour (a deterrent to slow down the investments) (Mukherjee, 2011: 99). Hence, the sub-national forces in India, which remained over-dependent on federal facilitations in 1990s, underwent phenomenal transformation.

The rising pressure over existing local resources to meet the fiscal deficits by falling revenue and receding capital resources forced these sub-national actors in India to adopt conscious efforts in line with the national policy reforms. One more sub-national aspect, which turned India into a favourite world FDI destination (for China) was the land-use permits which only local governments could use to promote investments (FFD 2014). In fact, this is a major reason why Chinese investments in India are directed to those states which are using land-use permits and related incentives to attract foreign investments. Consequently, the Indian states are engaged in a fierce competition to attract overseas investments, including China. For instance, the newly divided Andhra Pradesh is offering several concessions to investors including tax holidays, excise duty exemptions, concessions in entry tax, interest-free loans of central sales tax and free land (Yinduabc, 2014).

Such opportunities complement the Chinese guidelines of protecting existing sales revenue and increasing market share abroad, increasing profit margins through backward integration and entering into a new market. Thus, the Indian market and especially the sub-national drive in India to make the states a hub for investment promotion and facilitation, is turning India into a lucrative destination for Chinese companies seeking to achieve each of their investment objectives and justify significant long-term investments. Consequently, these phenomena, Chinese '*going out*' and India's sub-national need for growth, were corresponding and provided opportunities for engagements.

With the sub-national economic interest surfacing, new approaches made an easy gateway for the overseas commercial entities to engage with the sub-national geographies. Prior to the rolling of China's '*going out*' policy and the birth of sub-national ambitions among Indian states, the economic reforms in the early 1990s formed a solid base for these cross-subnational energies. The steep rise of the Indian economy from 2000 onwards provided further momentum. Chinese noticed that the Indian economy's progress was consistent, considering its performance vis-à-vis Chinese industries. For example, the investment by the Indian industries in new plants and equipment was equivalent to that of China's but in terms of its share in foreign direct investment (FDI), the Indian investments were just half of China's inbound FDI resulting in the impressive growth rate for India, nearing to 10 per cent (Huang, 2009). A number of Chinese provinces that do not had substantial presence in India have begun exploring possibilities to partner with India and are looking for opportunities especially at the local geographies (CNW, 2014). These engagements cover trade as well as investments. As the business between the two countries increased, Chinese provinces are taking a lead role in facilitating these engagements because the opportunities for the Chinese investments in India sub-national economies are immeasurable in number (Yinduabc, 2014).

The provincial priorities play a critical role in deciding the limits of the cross-sub-national interactions. A detailed profiling of Chinese provinces, which are already investing in India, also presents a diverse picture. Beijing and Shanghai, along with Jiangsu, Liaoning and Guangdong were the top five provinces and municipalities, which invested in India between April 2000 and February 2014 (DIPP, 2014). Shanxi, Sichuan, Tianjin and Hebei trailed in the list. The leading investments came in sectors like metallurgical industries, automobile industry, industrial machinery, services sector and power. Investments from provincial China have been consistent after 2007 and comprised a large share of bilateral commercial engagements with India (DIPP, 2014). This resulted partly due to the Chinese provincial scheme of encouraging private enterprises and provincial state-owned enterprises to look for local partners among the Indian states (Deloitte, 2012; Xinhua Network Television, 2014; Maritime China, 2014). There has been an increasing mobilisation of provincial party secretaries and officials on trade missions to India. For instance, the Guangxi and Zhejiang provinces saw Party Secretary-led business delegations in

2014 (March and November, respectively) setting the trend for *'going out'* to India (Guangxi News, 2014). The Zhejiang delegation headed by the provincial Party Secretary Xia Baolong signed 11 cooperation projects and contracts totaling amount of US$ 2.5 billion (Livemint, 2014). In another case, a MoU was signed between the Maharashtra government and the Wenzhou municipality (under the Zhejiang provincial administration). The motive of the MoU between Wenzhou and Maharashtra was to set up power plants, power plant supply industries and equipment in the state (Trade Fair News, 2014). Similarly, in another example, the second largest and industrial city of Guangxi Autonomous Region went a step ahead and signed a letter of intent to establish a 'Sister City' programme between Liuzhou and Indore (Wang, 2009). This underlines a new dynamics, where the Chinese municipal or prefectural level entities are exploring possibilities of tie-ups with any of the federal tiers. It looks beyond the canvas of state-systems, thereby enabling prefecture-level industries to communicate with their counterparts in Maharashtra by sharing the latest information on technology and machinery, for instance.

Apart from these delegations and trade fairs, there is another '*going out'* to India model employed by the Sichuan province. This particular model gives us a different blueprint for proactive measures introduced by the Chinese provinces in India. Although, Sichuan entered into the Indian market a little later than the coastal Chinese provinces, this province has been one of the important players in India. Comparing Sichuan province's '*going out'* policy vis-à-vis that of the coastal provinces will be unfair. Because the bases of these provincial economies are different and hence its intensity towards India as a choice for overseas commercial engagements, also differed drastically. However, when one compares the strategies towards India of Sichuan with say, Guangxi province (a relatively weaker in terms of its GDP contribution and share in country's total exports province and newer entrant into India), it is comparatively easy to make out the intensity of '*going out'* exertions.

In 2009, Guangxi Liugong Group specializing in excavators, loaders and other heavy machinery and equipment, established its first overseas production unit in Madhya Pradesh near Indore. The setting up of actual plant took over seven years right from conducting two year feasibility study and four intensive site visits in India (Peng, 2014). Presently, Liugong covers over 60 percent of Indian market, it has a remarkable pool of customers, for example, out of India's top ten engineering contractors, seven are customers of Liugong (Peng, 2014).

The Provincial Council of CCPIT Sichuan Council, on the other hand, developed a model of holding the South Asia Economic and Trade Roundtable in Chengdu since 2010 to provide more integrated exposure to its local industry. Officials from embassies and consulates in China, SAARC countries, Chamber of Commerce representatives of each country, and representatives of Sichuan infrastructure construction entrepreneurs are invited every year to attend this two-day conference. The theme of the latest roundtable held in June 2014 was 'New opportunities in South Asia countries' infrastructure construction and development' (CCPIT-SC, 2014a; CCPIT-SC, 2014b). Moreover, Sichuan has also shown interest in setting up a specialized industrial park in Madhya Pradesh which may consist of Chinese companies interested in agricultural industries and enterprises. In May 2013, the Madhya Pradesh Tourism Bureau signed a property development project agreement with Sichuanese partners, an example of how the Chinese are also trying their luck in public non-manufacturing industrial sectors (CCPIT-SC, 2014c). Looking at the prospects involving these sun-national entities, the Sichuan administration may look to Madhya Pradesh as its partner of choice to develop their sister-state program.

More than trade and global supply of commodities, in a broader sense, the global investments are looking at emerging economies as strong potentials to surge the global growth and Asia, predominantly, India and China, dominated the top position. As per Schroders Global Investment Survey 2015, the regional breakdown of the asset classes that investors plan to invest in to achieve a regular income, which includes direct stocks & shares investment, funds (equity, multi-asset and bonds funds combined), real estate (directly in or via Real Estate Investment Trusts) and ETFs (Exchange Traded Funds), Asia dominates the scene (Schroders, 2015). It is evident that the discernible pattern of investment is moving towards developing and emerging economies and Asia was the biggest recipient of funds with maximum funds invested in China, Korea and Taiwan. The new trend of these economies, especially China, becoming a net exporter by receiving more funds than it invests is evident as China's worldwide investment, from 2005 to mid-2014, was accounted at US$ 840 billion. Although, China's investment soared in 2013 with top investment destinations being North America, Australia, Africa and Gulf countries, the Chinese Investments in India from 2005 to 2015 grew consistently. China's cumulative investments in India are close to US$ 15 billion with the promised figures staying around US$ 50 billion.

The Chinese non-state investment activities in India are on rise. These private equity investments are made in the field of e-commerce, electrical and IT sector. The amount of investment made was highest in Services, IT and Manufacturing. Compared to Chinese PEs, Western PEs had a traditional entry in India compared to a late entry of Chinese PEs; they also took lesser risks with lesser liquidity to invest in India. Moreover, non-Chinese PEs demanded substantial stake in the companies it invested in, in contrast to the picture of Chinese PEs, which have flexibility. Hence, with the higher liquidity, smaller stakes and substantial risk appetite help Chinese PEs get much needed traction. Apart from equities, the Joint Venture also covers part of non-state Chinese investments in India. As a rising economy and largely infrastructure deficient country, India is preferred by Chinese to do the Joint Ventures (JVs) in Energy and Infrastructure sector.

Conclusion

While India's appetite for investments and market is growing, the Chinese intend to fill the cavity. The above description shows that the Chinese state, sub-national actors as well as the Chinese non-sate actors are engaged in a number of economic diplomacy endeavors and most of these trajectories are building on the potential of untapped Indian markets. The over-saturation in European markets and the risks of remedial trade measures provided an added advantage to the Indian market. The increasing number of European trade remedies against Chinese companies has coincided with its rising trade volume with India. From 2002 to 2005, the bilateral trade between India and China recorded about 50 percent year-on-year bilateral trade growth (Mohanty, 2014). Chinese provincial investments in Indian states have been a significant source of sub-national economic drive in India, with the states and their political leaderships giving immense importance to attracting Chinese investments. The visits of Indian states' delegations to China have become more common in recent years (MEA various years). With its US$ 40 billion trade deficit with China, India would be looking for more gains in its trade with China and this can be done through investments and lesser trade restrictions.

It has also to be noted that the Chinese investments are not solely driven by the logic of dominance in the Indian market, but also by the fact that the Chinese investments are meant to build regional hubs that could be connected to China's global supply chains. The Indian tryst with the Chinese investment is something new which has a history of mere 15 years and it allows Indian market to recover even if there is any error in judgments. Moreover, with the rising competition to investments in India by Japanese, Taiwanese and other western investors (both state and non-state), the Chinese would refrain from adopting hedging techniques which they were seen adopting in African and Latin countries. As a result, all new initiatives in Asia, where Chinese expect to intensify their influence through regional economic integration would witness some reciprocal changes wherein China will be seen giving away more benefits to India to keep its centrality in the Asian and global sphere of economic dominance.

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