

Brief Embassy Report on Bilateral Relations – ITJ Division, DGCI&S, Kolkata.

India-China Bilateral Relations

A. Introduction

1. Indian Trade Journal (ITJ) division of the Directorate General of Commercial Intelligence and Statistics (DGCIS) brings out weekly publication on Embassy Profile Report providing information on recent policy changes and happenings in other countries that may be of interest to the Indian trading community. This is the Embassy Profile Report for 01.10.2025 depicting the Embassy of China.
2. India and China, located in the southern and eastern parts of Asia, respectively, are major developing nations with significant influence in South Asian and global politics. Initially, they had a cordial relationship and brotherly bond, but border conflicts and tensions have led to the fragmentation of ties. Both nations are part of several multilateral groupings like BRICS, G20, etc., and need to utilize these forums for mutual trust and cooperation building on the Panchsheel Principles agreed between them in 1954. India and China, home to 2.8 billion people, have deep economic ties, with China as India's top trading partner.
3. India China relations are complex and dynamic shaped by historical ties, economic collaboration, and persistent border disputes. Formal diplomatic relations were established on April 1, 1950, when India became the first non-socialist bloc country to recognise China. However, the 1962 border conflict caused a major setback. Although the border conflict of 1962 was a setback to bilateral ties, Prime Minister Rajiv Gandhi's 1988 visit marked a beginning in the improvement of bilateral relations, fostering trade, cultural exchanges, and people-to-people connections.
4. During Prime Minister Atal Bihari Vajpayee's visit in 2003, India and China signed the Declaration on Principles for Relations and Comprehensive Cooperation, and mutually decided to appoint Special Representatives (SRs) to explore the framework of a boundary settlement. During the April 2005 visit of Premier Wen Jiabao, the two sides established a Strategic and Cooperative Partnership for Peace and Prosperity.
5. In addition, Prime Minister Modi and President Xi met on the sidelines of various multilateral summits. Prime Minister Modi visited China to participate in the G20 Summit in Hangzhou (Sept 2016), the BRICS Summit in Xiamen (Sept 2017) and the SCO Summit in Qingdao (June 2018). President Xi visited India in October 2016 to participate in the BRICS Summit in Goa. China's Premier Li Qiang attended the G20 Summit chaired by India in New Delhi on 09-10 September 2023. Further, the two leaders have also met on the sidelines of the SCO Summit in Astana (09 June 2017), SCO Leaders' Summit in Bishkek (13 June 2019), 14th G20 Summit in Osaka (30 June 2019), the 11th BRICS Summit in Brasilia (13 November 2019), and the 16th BRICS Summit in Kazan (23 October 2024). Despite ongoing security and strategic concerns, both nations continue to work toward a structured framework for cooperation. The focus remains on balancing national interests while fostering a constructive partnership that enhances regional stability and mutual growth.

B. Commercial Relations (Trade and Foreign Investment) – Recent facts & figures

6. India China Relations have deep economic engagements due to the proximity of both nations and the ability of China to provide cost-effective raw materials for production in India. The economic relations are based on trade, bilateral investments, dialogue mechanisms, etc. China was the 2nd highest trading partner of India in FY 2024-25. The trade and investment linkages between India and china form an integral component of the multi-faceted partnership between the two countries. Indo-China total volume of bilateral trade in FY 2020-21 was of the order of USD 86.40 billion. It increased to USD 129.40 billion in FY 2024-25. The annual compound growth rate of volume of trade during the period from 2020-21 to 2024-25 has been of the order of 10.63%.

As a trading partner of India, and as per latest compiled and available statistics with DGCI&S, India's exports to China in 2023-24 were worth USD 16.67 billion and imports from China were worth USD 101.75 billion. Total bilateral trade in goods between India and China was worth USD 118.42 billion in 2023-24. In 2024-25 total bilateral trade in goods amounted to USD 129.40 billion (India's exports: USD 14.25 billion and India's imports: USD 115.15 billion). An account of Bilateral commodities trade in goods from 2020-21 to 2024-25 is as under:

Export-Import statistics from 2020-21 to 2024-25

(USD Billion)

Year	Total trade	Import	Export
2020-21	86.40	65.21	21.19
2021-22	116.66	94.57	22.09
2022-23	113.84	98.51	15.33
2023-24	118.42	101.75	16.67
2024-25	129.40	115.15	14.25

(Source: Department of Commerce, India)

7. It appears from the available figures that between 2020-21 and 2024-25, India had a deficit Balance of Trade with China. Exports from India to China increased by 8.70% in FY 2023-24 over the year 2022-23. During the period from 2020-21 to 2024-25, the annual average compound rate of growth of exports was -9.44%. On the other hand, imports from China to India increased by 45.02% in 2021-22 over 2020-21 levels. During the period from 2020-21 to 2024-25, the annual average compound rate of growth of Imports was 15.27%.

8. Major items of India's exports to China include Iron Ore, Marine Products, Bulk Minerals & Ores, Bulk Drugs & Drug Intermediates, Castor Oil, Copper & Products made of Copper. India's major imports from China include Telecom Instruments, Computer hardware & peripherals, Electronics Instruments, Electronics components, Misc. Engineering Items and Plastic Raw Materials.

9. Chinese investment in India primarily flows into the tech and startup sectors, though the overall scale is limited by strict regulatory approvals, particularly under the government's restrictions for investments from neighboring countries, which was implemented in 2020. Recent proposals suggest easing these restrictions in non-sensitive sectors like manufacturing and renewable energy to boost India's foreign direct investment (FDI). Key areas of Chinese interest include e-commerce, fintech, and media, with significant funding going into Indian unicorns. India is seeking fresh FDI to meet its investment targets and improve its trade balance, making it more open to Chinese capital in some sectors.

India China Multilateral Relations

India China Relations have evolved with the engagement of both nations in several multilateral groupings which include BRICS, Shanghai Cooperation Organization (SCO), Group of Twenty (G20), and Asian Infrastructure Investment Bank (AIIB), among others. The details are discussed below:

BRICS: BRICS, which stands for Brazil, Russia, India, China, and South Africa, is an informal grouping of emerging economies with India and China among its founding members.

SCO: Shanghai Cooperation Organization (SCO) is an intergovernmental organization established in 2001 with founding members Russia and China. India joined the grouping in 2017 and, since then, remained an important contributor.

G20: Group of Twenty (G20) is an intergovernmental forum for international economic cooperation. India and China have cooperated in the progress of the G20.

AIIB: Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank that provides financing for infrastructure in Asia and beyond. India and China are included among its founding members.

India China Recent developments

- India China Relations have several recent developments, which include a truce on border conflicts along the Line of Actual Control, efforts to resume the Kailash Mansarovar Yatra, and plans to normalize ties in the 75th year of the diplomatic relations in 2025.
- Reduction in Border tensions: India and China have agreed to disengage and resume patrolling in the Depsang Plains and Demchok areas along the Line of Actual Control, as before the May 2020 tensions.
- Resumption of Kailash Mansarovar: India and China have agreed to resume Kailash Mansarovar Yatra and increase flights between both nations.
- Normalization of Ties: India China Relations are entering a phase of recovery, with both nations moving ahead to celebrate the 75th anniversary of the establishment of diplomatic ties in 2025.
- India China Relations face several challenges mostly due to the aggressive Salami Slicing and Five Finger policy of China. Further, the challenges include a burgeoning trade deficit between India & China, concerns about the Yarlung Zangbao Dam, and the String of Pearls policy of China.
- Territorial Dispute: India China Relations faced several territorial disputes in Ladakh, Doklam, Arunachal Pradesh, etc., mainly due to the Five Finger Policy and Salami Slicing Strategy (policies used incrementally by Beijing to improve its foreign policy position) of China.

- Five Finger Policy: It regards Tibet as China's right-hand palm, with five fingers on its periphery: Ladakh, Nepal, Sikkim, Bhutan, and the North-East Frontier Agency (now known as Arunachal Pradesh), which China considers its responsibility to "liberate".
- Huge Trade Imbalance: India has the largest trade deficit with China. India's trade deficit with China has been increasing and it was USD 100.9 billion in the fiscal year of 2024-25.

Source: www.mea.gov.in