India and China proposed creating a business model called chindia based on COIN (Cooperation & Innovation) in four areas (Energy, Health, Infrastructure, Knowledge intensive industries)

## Background

* India was
  + The second non-communist state to recognize PRC in 1949
  + the 16th state to establish diplomatic relations with PRC in 1950
* 1954: eight year agreement on Tibet - **Panchsheel**
* 1962: War
* 1960s-70s: Sino-Indian relations deteriorated because
  + War
  + Sino-Pakistani relations improved
  + Sino-Russian relations deteriorated
* 1967: Nathu La incident; Chola incident
* 1976: Restored ambassadorial relations
* 1979: External Affairs minister AB Vajpayee’s visit to China
* 1988: Rajiv Gandhi’s visit to China
  + Agreed to develop and expand bilateral relations in all fields
  + Establish a Joint Working Group on Boundary and Joint Economic Group
* Mid-1990s: relations started improving
* 1992: President E Venkararaman visited China. This was the first Head of State level visit from India to China
* 1996: Pres Jaing Zemin’s visit to India <first HoS visit>
* 2003: Declaration on Principles for Relations and Comprehensive Cooperation signed
  + First comprehensive document on development of bilateral relations signed at the highest level between India and China
* 2008: ‘A Shared Vision for the 21st century of the Republic of India and the PRC’
* 2011: Year of India-China exchange

## Perception of each other

Table

|  |  |
| --- | --- |
| India’s perception of China | China’s perception of India |
|  | A very important nation in South Asia |
|  | Population next only to China |
|  | Economy growing at a fast pace. Security forces mobilizing. Nuclear power. |

## Major Outstanding Issues

Table

|  |  |  |
| --- | --- | --- |
| Issue | India’s Concern | China’s concern |
| Boundary |  |  |
| Visa Policy | China giving stapled visa to residents of Kashmir |  |
| Trade | China accused of dumping goods in India. | India imposing ban on investment of certain Chinese companies |
| Dams | China building dams on the Brahmaputra river |  |
| Tibet |  | India’s asylum to Dalai Lama |
| Geopolitics | String of pearls;  Relations with Pak – China’s presence in PoK, China’s policy on J&K, nuclear relationship with Pakistan | India’s growing relationship with US |
| Defence Cooperation |  |  |
| Competition in South Asia |  |  |

### Border dispute

* China’s claim in two regions
  + Aksai Chin
  + Arunachal Pradesh
* These two regions are strategically important for China to control the restive populations of Xingjian and Tibet and integrate them
* The Macartney-Macdonald Line proposed during British times is almost the same as the present Line of Actual Control
  + The northern boundary between India and Tibet was never clearly demarcated
* The McMahon Line forms the eastern border with China
  + British India and China gained a common border in 1826 after the British annexation of Assam and the Treaty of Yandabo
  + 1913-14: representatives of Britain and Tibet (and Myanmar or China?) attended a conference in Shimla and drew up an agreement concerning Tibet’s status and borders
  + McMahon Line was drawn
  + China objected to the proposed Sino-Tibet boundary and repudiated the agreement
* East-West swap
  + Zhou Enlai had proposed that China relinquish its claim to most of India’s northeast in exchange for India’s abandonment of its claim to Aksai Chin.
* 1962: War
* In recent times, India China boundary has been one of the most peaceful borders in the world
* A solution to the question is not due to lack of effort; instead it arises from the difficulty of the question itself
* CBMs are in place to ensure peace in border areas
* Special Representatives (SRs) talks are conducted on the border question

Defence exchanges

* Recently defence exchanges were stalled after an Indian army officer was denied visa (?)

### Dalai Lama

* Sought refuge in Dharmsala in 1959

## Mangement of transborder rivers

* Many of our northern and north eastern rivers arise in the highlands of Tibet
* Dams: Zang-mu
  + India has sought assurances from China that it will take no action to negatively affect the flow of rivers into India
  + China has assured that the projects on Brahmaputra are run-of-the-river projects

## Pakistan-China relations and effect on India

* China’s growing relations with Pakistan are of concern to India
* China has been the main supplier of weapons systems and air and naval combat craft to Pak
* China is co-producing K8 trainer aircraft and JF17 fighter aircraft in Pak
* Supplied Pakistan with M-11 SRBM
* <It is alleged that the technology to make nuclear bombs was also supplied by China>
* Civil nuclear cooperation
* Development of road, rail and gas pipeline infrastructure through the Gilgit-Baltistan region as well as port facilities in Gwadar
* India believes that a stable and prosperous Pakistan is in India’s interest. It does not view bilateral relationships as zero-sum games
* But there are some genuine concerns
  + China’s role in POK
  + China’s J&K policy
  + Sino-Pak security and nuclear relationship

## The Way forward

* when it comes to the relationship between these two big Asian giants, a lot of what happens in this relationship will impact the situation in our region and particularly when it comes to the economic strength the rising economic strength of both these countries the world certainly is watching and assessing the impact of this relationship.
* Media has caused a lot of frenzy in the relations of the two countries
  + Media should keep quiet a bit so that India-China can solve their problems amicably
* Chindia
  + China-India global joint action
* In a high level meeting in November 2010, CCP politbureau member Zhou Yong Kang outlined some areas for further development of Sino-Indian relations in order to consolidate their strategic cooperative partnership:
  + Promoting political trust by maintaining high-level visits between governments, parties, parliaments and militaries.
  + Greater cooperation in trade and economy that should include reducing protectionism.
  + Greater people-to-people exchanges in a wide swathe of areas.
  + Strengthening international cooperation and friendly consultations on controversial issues and disagreements in exchanges.
* Developing Synergy
  + Tagore was for close relationship between the two countries
* S&T exchanges should be strengthened
  + MoU on Green Technology; exchange of hydrological data
* India-China have a role to play in the security architectures for Asia
  + Issues of maritime security, issues concerning global commerce in the region, issue of terrorism, having peaceful periphery are common concerns

### Are India-China rivals?

* Neither of the two countries have a luxury of seeing each other in purely antagonistic terms
* The view that India and China are rivals is a over generalisation as well as an over simplification of a complex relationship which encompasses so many diverse issues
* Proposition of competition and rivalries should not be exaggerated in a manner that it overshadows our genuine attempts to manage and transact a rationally determined relationship between India and China
* The reality is that both our countries have worked hard over the last two decades to enhance dialogue in a number of fields and we must maintain and build on that trend.
* At the same time, it is true that divergences persist, and that there is no denying the fact that we have a disputed border.

Table

|  |  |
| --- | --- |
| Positives | Negatives |
| 1. ‘Copenhagen Spirit’: exemplary cooperation witnessed between India and China during the Copenhagen climate change summit | 1. China’s angst over Dalai Lama’s visit to AP in 2009 |
| 1. Peaceful borders | 1. Stapled visa issue cropped up in 2009 |
| 1. Huge trade | 1. Huge trade deficit for India |
| 1. Multilateral cooperation: BRICS, BASIC, SCO, G20 | 1. Defence ties were stalled |
| 1. Cultural cooperation |  |
| 1. Student Exchange |  |
| 1. In Sept 2011, India-China held their first even Strategic and Economic Dialogue |  |

## Economic Relations

* The two countries resumed trade officially in 1978
* 1984: signed the MFN agreemnt
* China is India’s largest trading partner. Accounted for a share of 9.09% in India’s international trade during 2009-10
  + 10.69 % of India’s total imports were from China in 2009-10 (largest)
  + China is the third highest destination for India’s export accounting for 6.5% of the total
  + In 2009-10 total trade crossed $60 bn mark to reach $61.7 bn.
  + India’s exports: Iron ore, other raw materials and cotton
  + India’s imports: finished goods, mainly machinery. There is a growing demand for Chinese telecom and power equipments
* Set a target of reaching $100 bn trade by 2015
* India has a trade deficit of over $20 bn with China
* Addressing the deficit problem
  + India has been pressing China to provide better market access for Indian pharmaceutical and IT companies which have struggled to penetrate the Chinese market
  + India is pushing for reduction of restrictions on agri-products imposed by China so that India could export more agri-products to it
  + In his December 2010 visit to India Wen Jiabao said that China understands India’s concerns on the question of market access and would try to find ways of resolving them
* Indian companies in China
  + Manufacturing: pharma, autocomponents, laminated tubes, refractories
  + IT and ITES: IT education, software solutions
  + Banking
  + Ranbaxy, Orchid Pharma, Dr Reddy, Aurobindo Pharma, NIIT, Infosys, Suzlon, SBI, PNB etc
* Chinese Companies in India
  + Power generation, machinery and infrastructure construction, electronics, IT and Hardware manufacturing
  + Sinosteel, Shougang, China Dongfang Internations, Sinohydro, Huawei, TCL, Haier,
* Infrastructure
  + Still-well highway

## Cultural Relations

* 1988: Agreement on Cultural Cooperation
  + Provides for an executive cultural exchange programme (CEP)
* Latest CEP signed in 2010
  + Provides for cooperation in a gamut of cultural fields including exchanges of visits of performing artists, officials, writers etc
* 2003: Centre for Indian Studies inaugurated in Peking University
* 2008: 70th anniversary of Indian Medical Mission to China
  + Chindia organised Joint Medical Mission to commemorate the event
* 2010: Festival of India in China
* India’s stall at World Expo
* Structure adjacent to White Horse Temple
  + Inaugurated by Patil

## Indian Diaspora in China

* About 39000 people
* HK has a larger Indian presence
* Mainly students

Table

|  |  |  |
| --- | --- | --- |
|  | Binders/Opportunities | Separators/Challenges |
| Economy | Huge trade. Both are very large economies. Growth contributing to global recovery | <list out all major outstanding issues> |
| Int Fora | WTO – Doha round; Climate Change. At the world level fora, India-China cooperation is quite evident. | At local fora and regional stability, India China are at divergence |
|  | BRICS; BASIC |  |
| Overall cooperation | Both stand to gain a lot |  |
|  |  |  |

## Premier Wen Jiabao’s visit to India

* India-China to increase bilateral trade to $100 bn by 2015.
  + India’s main concern is the huge trade deficit it has in trade with China
  + It has asked China to open up its IT and services sector
* They agreed to a strategic economic dialogue to enhance macroeconomic policy coordination and address challenges in economic development and cooperation
* CEO’s forum shall also be created and greater cooperation between the banking regulators of the two countries
* Political Developments
  + Stapled visa for residents of J&K issue was discussed. Wen proposed that the officials of the two countries should hold consultations.
  + India did not mention Tibet and One China in the joint statement.
* Strategic
  + Agreement to work together against piracy in the Gulf of Aden
* Assessment
  + Incremental progress was made
  + We have areas of difference (border, stapled visa) and cooperation (climate change)

**March, 2012**

India-China agree to undertake joint operations against pirates and sharing technological knowhow on seabed research.

Joint operation against pirates seeks to involve the Coast Guards, the navies and air forces in action against pirates.

The proposal to share technological knowhow on seabed research is aimed at dousing India’s apprehensions after Beijing was permitted by the International Seabed Authority to explore in south-west Indian Ocean.

## Chinese foreign policy: String of pearls theory

* The term ‘string of pearls’ is used to describes the manifestation of China’s rising geopolitical influence through efforts to increase access to ports and airfields, develop special diplomatic relationships and modernize military forces that extend from the South China Sea through the Strait of Malacca, across the Indian Ocean, and on to the Arabian Gulf.
* This strategy started in 1980s and its basic aim was to give China increased energy security with refuelling stations throughout the world.
* It has also helped China project its political and military influences further.
* Some of the recent additions to the pearl have been the Hambantota port in Sri Lanka and Gwadar Naval Base in Pakistan
* Karakoram Highway, connecting China’s Xinjiang region with Pakistan’s north, can also be seen as one of the pearls
* The implication has been that it has caused great concerns for security in India, though China has tried to project it as a purely economic and maritime security venture.
* Though India has officially denied it, the string of pearls strategy may influence its relations with its neighbours in the following ways
* Myanmar
  + India shares a 1600 km border with it. It also serves as a gateway for India to ASEAN and SE Asia
  + Bilateral trade between China and Myanmar reached $2.9 bn in 2009 making China the second largest trade partner of Myanmar (after Thailand)
  + The two countries have also agreed to build an oil pipeline and a gas pipeline
* Bangladesh

## China-Africa Relations

In 1956, Egypt became the first African nation to establish diplomatic relations with the PRC. As of 2010, only 5 of 54 African nations maintain diplomatic relations with Taiwan.

From 1980s economic cooperation with Africa has assumed greater importance for China.

Relations have been institutionalized through the Forum on China-Africa Cooperation (FOCAC). Important milestones have been the ministerial conferences in 2000,2003, 2009 and the ‘China’s Africa Year’ in 2006.

China’s relations with Africa cover all facets – political, defence, economic and other areas of cooperation. It has helped Chinese Navy to become more assertive in the Western Indian Ocean.

**Economic Relations**

China-Africa Trade: valued at $10 bn in 2000. $107 bn in 2008

Over 1600 Chinese companies have investment of operational presence on the African continent.

Seven special economic zones have been set up by China in five African countries.

**Issues**

Critics: rise of Chinese neo-colonialism. It economic policy damages Africa’s development, delays industrialization, ruins local industry and does not transfer technology. It supports dictatorships, corruption and a violation of human rights.

Supporters: China largely doesn’t interfere in the internal affairs of the countries. It has contributed to the enhancement of Africa’s importance in world affairs as well as to rise in prices of African commodities and growth of Africa’s GDP.

**India**

Though India has had historically a stronger relation with Africa, in recent years, the gap between India’s and China’s profile in Africa has been widening to India’s disadvantage.

India should closely monitor China’s activities in Africa and intensify and broaden its cooperation with African countries selectively.