

The Compendium of the Extant Sino-Indian Relations with Emphasis on Trade

Dr. Ruchi shukla¹, Himanya Sud² & Yukti Goel³

Abstract: *This paper sheds light upon the imbalanced relationship between China and India via the routes of politics, culture, disputes or merely the fact that they are two Asian leaders still in search of their sweet spot in the global market. We have proposed a descriptive analysis of the comparison between the two, taking trade as one of our major parameters. These countries are comparable not because they share a similar affinity, but in terms of their aversion to the current structure of the world. China is one of India's largest trading partners, leading for India to have a trade deficit of \$52.69 billion dollars (owed to China). As per the Confederation of Indian Industry (CII), during the fiscal year 2015-16, Indian exports were a little over \$9 billion and imports were worth \$61.7 billion to China alone.*

The main purpose of this study is to highlight the essential aspects of trade between the two fastest growing economies. The future shall unfold for itself however, the current scenario favours China over India in all aspects related to infrastructure, manufacturing or trade relations to name a few.

Key Words: *China And India, Trade Partner, Trade Deficit, Trade Relations*

I. Introduction

In the pursuit of development, innovation & advancement of the nations, both China & India have magnificently bloomed. But in this roller coaster of a ride that began way before we'd imagine, China & India (because of their similitude) have been both allies and opponents of each other.

A diplomatic relation that began in the 1950's by expounding the Panchsheel (5 principles of peaceful coexistence) and entering into a trade agreement in 1984, provided them with the status of the Most Favoured Nations which has led to potential trade of over \$80 billion dollars as of 2015. Bilateral trade between the two has grown rapidly over the years and advanced significantly after Chinese accession to WTO in 2011, making China India's largest trading partner, and India owing 45% of its trade deficit to China for the fiscal year 2015-16.

Devadason (2012) assessed the huge untapped potential for a very broad and massive cooperation between India and China, especially in the area of manufacturers. He is of the view that if the comparative advantages of China and India in the form of product composition and variety are examined taking care of the rest of the world, then these strengths, if exploited, can give rise to more of complimentary trade.

The drive to keep their economies on a high growth trajectory has assured wholesome and salutary cultural & political relations among them, and also enforced mutual assimilation of knowledge. We aim to discuss some of the facets of this dynamic relation.

II. General Comparison

As we know, these two countries have been recognised as Asia's and the world's fastest growing economies, registering at least a 6% increase in GDP annual growth rate with every passing year. They have grown and their potential for trade and economic growth has been substantially recognised in the world markets. China is not only an Asian giant but continues to play an increasingly dominant role in international trade, whereas India aims to be a regional leader. Being a Republic, China has always had a certain competitive advantage by ensuing ease in implementation of government policies, and having manufacturing as its mainstay all along. On the contrary, India continues to make efforts to elevate its exports by trying to implement schemes like 'Make in India', but ends up reporting a 10.7% surge in imports as of January 2017. Efforts continue to be initiated to make most of their economic strengths; deliberate policy interventions have been systematically experimented with, so as to insulate the economies from the vagaries that transpire being part of a capricious world market, and also mitigating challenges of being middle-economy countries.

III. Political Relations

Over the years, the respective Prime ministers and Premiers of India and China have visited each other's countries and signed various deals benefitting them, thus strengthening the relations between the two countries. Both the countries have adopted a completely different orientation of methodology for sorting the

differences and making their way to emerge as possible regional powers, and mainly due to the mutual suspicion and distrust rather than inheritance of issues.

Leaders on either side have stepped up to institute dialogue mechanisms & functional corporation on issues such as policy planning, counter terrorism and security, other than agreements to develop and expand bilateral relations in trade.

One of the most recent exchanges took place in May 2016 when President Pranab Mukherjee visited China; Ten MOUs (Memorandum of Understanding) were concluded, providing enhanced collaboration in research & innovation, as well as student and faculty exchanges. During delegation talks, President Mukherjee welcomed greater Chinese investment to India especially via flagship programmes such as 'Make in India', 'Digital India', 'Skill India' & 'Smart Cities'. There was also constructive bilateral economic dialogue at a Business Forum at Guangzhou. The trade between Guangzhou province of China grew by 15%, amounting to \$14.4 billion which accounted for one-fifth of India's total trade with China, hinting at the enormous potential for cooperation between this province and India.

Besides this, the McMahon boundary issue remains at the heart of the relations between the two. This issue has certainly brought elements of suspicion and wariness to the table, but in the recent meeting, both sides have been willing to accelerate negotiations and find a fair and reasonable resolution.

IV. Cultural Relations

We cannot ascertain exactly when and how these countries, or should I say civilizations, began exchanging cultural elements, but what we do know is that they've grown parallel to each other and shared cultural traits or affinity for as long as the world can remember - from linguistic exchanges between the Shang-Zhou civilization & the ancient Vedic civilization dating back to 1500-1000 B.C., to the early 20th century when Nobel Laureate Guru Rabindranath Tagore visited China twice. Other advances include an agreement on Cultural Cooperation signed in 1988, which provides for an executive Cultural Exchange Programme (CEP) with an effort to bring their people together. The latest CEP signed in October 2013 during the visit of the then Prime Minister Manmohan Singh to China, provides for cooperation in a gamut of cultural fields including exchanges of visits of performing artists, officials, writers, archivists and archaeologists, organizing cultural festivals, film festivals and exchanges in the field of mass media, youth affairs and sports. India and China have an impressive cultural history and culture continues to play an important role in defining their relation in International Politics.

V. The China-India Border Issue

The seed for border trade with China was first sown during the historic visit of the then Indian Prime Minister Rajiv Gandhi to China in December 1988. Considering the huge potential that existed in terms of value and bilateral trade between the neighbouring countries of Bhutan, China, Myanmar and Bangladesh, India appears to be too small. As liberalisation policies were incorporated, border trade began to be viewed as one of the important instruments for the development of bordering regions. Border trade is till date officially defined as over-land trade or flow of goods & services from a bi-laterally agreed list of people living along both sides of the international border between jurisdictions.

The Sino-Indian border issue comes with its own complicated history. It's said to have been left unresolved from the time of British rule in India. A military conflict broke out between India & China about territorial boundaries around the 1960's, which became an excuse for India to strengthen its armed forces and develop them vigorously in order to get ready for battle, as well as to make nuclear weapons.

The root cause behind the overrunning of incidents outlined by India is that a mutual consensus has never been reached on the state of the Line of Actual Control (LAC) by the two sides since the time of the boundary dispute in 1962.

Though India desired to expand border trade to other areas with the agreement of China, it could not be manifested. An example is when India had proposed the formation of a trade route through Sikkim, but China's hesitance and reluctance to do so posed as a barrier.

Presently, trade along the India-China border takes place through following Land Custom Stations (LCS):

1. Gunji (Uttarakhand) - Pulan (TAR)
2. Namgaya Shipki La (Himanchal Pradesh) - Juiba
3. Sherathang (Sikkim) - Renqinggang

The border trade in these three trading ports is conducted through barter system, and customs duties are levied on these commodities.

VI. Himalayan Border Issues

India and China are haste fully rejuvenating and regaining their status as global training and economic powerhouses. The Himalayan border dispute emerged due to the compounding of difficult terrain, potential survey technology, absence of the functioning Tibetan state and the craft of British imperial map-making writ large.

Although Chinese representatives were present at the Simla Convention in 1914, they refused to sign or concede on the basis that Tibet was under Chinese ascendancy, and thus were unable to conclude treaties. India made the McMahon line its official border after independence in 1947. However, following the invasion of Tibet by China in 1950, China and India came to share a border that had never been delineated by treaty, let alone between the post-colonial regimes of the People's Republic of China and the Republic of India, due to which China considered the McMahon line as an illegal borderline.

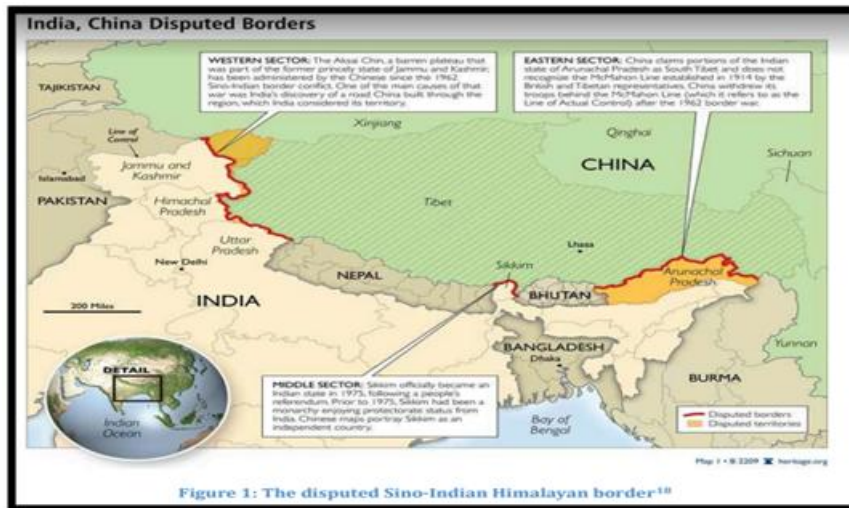


Figure 1: The disputed Sino-Indian Himalayan border¹⁸

Image from : Katherine Richards (2015)

VII. Conclusion

The main purpose of this study has been to highlight the essential aspects affecting trade between these two progressing economies. In the present scenario of tremendous growth and increasing significance of bi-lateral relations, political, cultural and most of all, border disputes play a major influential role in the carrying out of trade between the two countries.

During his visit to India, President Xi mentioned that India-China relations have become one of the most dynamic and promising bilateral relations in the 21st century. However, according to The Diplomat, "India and China continue to be at loggerheads on a range of bilateral issues, as China shows no signs of budging on key issues that matter to India."

These two Asian giants continue to have an impressive cultural history and share some affinity, but also continue to bear the brunt of a very complicated history. The border issue that has been under discussion and curtains of false promises on both ends, continues to stagger the smooth flow of goods & services, and peaceful relations between the two countries. The relentless development of infrastructure in Tibet by China and assertive territorial claims on one hand, while increasing bi-lateral trade with China on the other, will shape the prospects of their relations. Some experts believe that the border issue is a major obstacle in improving bilateral relations between the two countries, while others maintain that it is a minor issue and can be settled by dialogues.

What is clear is that the Sino-Indian relations have entered uncharted territory, and progress from here can only resume when they do not strengthen the foundation of issues, mistrust and suspicion, but build upon the belief that peace is key to harmonious relations on the forefront which will always attract investments and projects i.e. growth and development.

A diplomatic relation that began years ago, now stands at crossroads with one path leading to benefits assisted by mutual cooperation, and the other leading to retrogression assisted by a downward spiral of disputes.

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