

Political and Economic Relations between India and China

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ABSTRACT

This paper seeks to examine the Political and Economic relations between India and China. It will be wrong to assume that this relationship is only deeply hostile in all spheres. There is no doubt that there has been a lack normalcy in recent times. There has been a severe backlash to the border incidents with public outcry for banning of all Chinese goods in India and other businesses. This relationship nonetheless still exists and continues to grow. There are areas of divergence and of convergence which needs to be looked at.

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I. INTRODUCTION

Area of Divergence

Tibet, Aksai Chin, Border Issue and Dalai Lama

India gained independence on 15 August 1947, and became federal, democratic republic after its constitution came into effect on 26 January 1950 with Jawaharlal Nehru as its first Prime Minister. Jawaharlal Nehru based his vision of an internationalist foreign policy which would be based on Panchsheel (Five Principles of Peaceful Coexistence). Nehru initially believed that such ethics would also be shared by China. However, Nehru was disappointed when it became clear that the two countries had conflict of interest in several issues. Especially on the issue of Tibet, which India believed to have inherited special privileges from the British Raj. Tibet had traditionally served as a buffer zone.

India established diplomatic relations with the PRC on 1 April 1950, and became the the first non-communist nation in Asia to do so. The issue of Tibet has been a long-standing clash of interest between the two countries. Chinese Communist Party Chairman Mao Zedong saw Tibet as an integral part of the People's Republic of China. The government of the Republic of China, under Chiang Kai-shek also of the same claim, Tibet as Chinese territory. But he was unable to re-assert control. Chairman Mao saw Indian concern over Tibet as a matter of interference in the internal affairs of the China. The PRC reasserted total claim over Tibet and reaffirmed the aim to end Lamaism (Tibetan Buddhism) and feudalism. This was forcefully achieved by China in 1950. To avoid any further tension Nehru in a diplomatic manner informed Chinese leaders that India did not have any political ambitions or territorial ambitions and did not seek special privileges in Tibet. However, he also insisted that t traditional trading rights must not be hampered. The Tibetan delegates with support from India, signed an agreement in May 1951, the agreement recognized PRC sovereignty but also guaranteed that the existing political and social system of Tibet would continue. Few years later in April 1954, India and the PRC signed an eight-year agreement on Tibet that became the Five Principles of Peaceful Coexistence also known as the Panchsheel. The aim of Nehru was to guarantee security to India by using the ethics of Panchsheel that would act as a psychological buffer zone in place of the lost physical buffer of Tibet.

The thinking of independent India's leaders about China was somewhat different. Jawaharlal Nehru, India's first prime minister who almost single-handedly guided India's foreign policy both before and after India's Independence, harbored a generally benign view of China and its intentions in Tibet, despite being aware of the inimical attitude of China's communist leaders toward India and toward him personally (Maxwell 1997). Nehru was one of the widely traveled politician and intellectual, with understanding, sympathy and admiration for China. He had idealistic notions of India and China as two great Asian civilizations who, as independent nations, and that they would learn from each other's experience, forging a common destiny and promoting world peace in the 20th century (Gopal 1979).

Tibet has been a key factor in India-China relations. However it was only after the 1950, the occupation of Tibet by China that led to the present day disputed common border between India and China. In recent years,

China's military buildup and infrastructure development in Tibet, as well as reported plans to divert or dam rivers that rise in Tibet and flow into India, have raised anxieties and concern for India. In a similar manner China's concern and insecurity over the issue of Tibet dominates its approach towards India. India has been unable to assuage China's fears about its possible use of the presence of the Dalai Lama in India and its large Tibetan refugee population of about 120,000 to create trouble for China in Tibet. The presence of the Dalai Lama the Buddhist leader and a large community of Tibetan refugees in India has kept the issue of status of Tibet as a matter of concern between the two countries.

Issues like the deepening of the China-Pakistan alliance and a shift in China's position on Kashmir have also influenced India to some hardening position on the issue of Tibet, making the situation more complex. (Sikri 2011:55). However, during the Chinese civil war, the liberal-minded Nehru's was more sympathetic towards the nationalists led by Chiang Kai-shek than the communists, with mutual admiration, as well as close contacts and correspondence between them (Azad 1988). However such position towards Kai-shek found expression only after its independence. Interestingly in July 1947 the United States signed a secret agreement with India that allowed the United States to continue, as well as expand, its aerial missions in Tibet in support of Chiang Kai-shek's Kuomintang (KMT) forces against Mao's Red Army. This India-U.S. agreement, initially valid for two years, was extended for an indefinite period in 1949 (Ali 1999).

Nehru's views on Tibet contributed to the deepening of Chinese mistrust, as Nehru believed Tibet should be an independent country (Nehru 1982). A separate invitation was extended by India to Tibet for the Asian Relations Conference convened by India in New Delhi in March 1947. Nehru rejected any suggestion that India should consider establishing an independent Tibet. He realized that if the communists were to come to power, they would establish control over Tibet (Gopal 1979:105). Although this would bring China's borders right up to India, Nehru did not convey any concerns (Arpi 1999). While politicians had some reservations on the intentions of China, Nehru cautiously approved giving a modest quantity of arms and ammunition to the Tibetans; while rejecting Anglo-American overtures to be more active in supporting the Tibetans (Arpi 1999). Preoccupied with internal troubles and tensions with Pakistan, India could not really afford to do more. Nehru therefore accepted China's suzerainty over Tibet. At the same time, he thought that Tibet should remain autonomous and that any communist liberation of Tibet should be peaceful. This indicates that Nehru did not want the issue of Tibet to ruin relations between India and China (Nehru 1961).

From China's perspective, Tibet was important for for strategic and security considerations (Maxwell 1997). Tibet is China's backdoor, one that has never been totally secure. China was well alert that if Tibet remained outside China's control it would inevitably drift closer to India, with which it had geographical proximity, a deep religious and cultural affinity, and no history of hostility making situation more complicated for China (Sikri 2011). Indeed there has always been a two-way intensive religious and cultural interaction between India and Tibet. Tibetans regard India, from where Buddhism originated, as their spiritual mentor and as Aryabhumi, "the Land of the Holy." Similarly, Mount Kailash and Lake Mansarovar in Tibet are the holiest mountain and lake of Hindu folklore and tradition, as they are regarded as the abode of Lord Shiva (Guruswamy and Singh 2009:39).

The Tibetan variant of Mahayana Buddhism prevails all across the high ranges of the Himalayas in India. The Dalai Lama is widely venerated in India. In fact, India has historically served as a place of refuge for Tibetans—half a century before the present Dalai Lama fled to India, his predecessor, the thirteenth Dalai Lama, had sought the protection of British India when the Chinese army reached Lhasa in 1910 (Gyatso 1997:76). This is hardly surprising, since the outside world's access to Tibet and the latter's principal economic links with the rest of the world have traditionally been via India, as well as Nepal. The present Dalai Lama has gone so far as to state that India has a better claim on Tibet than China (Gyatso 1997).

The roads from Szechuan via Icham and from Gansu and Qinghai to Tibet were completed by 1954. In addition, Chinese surveys showed that a relatively easy access route to Tibet was from Xinjiang across the desolate and uninhabited Aksai Chin plateau. As this was a region to which India also had a claim, the Chinese government adopted dilatory and muddled tactics on the border issue to lull India into a sense of complacency, while it simultaneously took steps to establish its position on the ground and made preparations to construct a road across Aksai Chin connecting Xinjiang with Tibet. The Chinese imposed the Seventeen-Point Agreement on Dalai Lama in May 1951 (Shakya 1999). Meanwhile, Nehru was trying to deal with the implications and consequences of a Chinese occupation of Tibet. For Nehru, China assumedly was hardly to launch an armed attack against India, however, he realistically recognized that Chinese troops may well try to infiltrate or occupy disputed areas. Thus, the Indian government set about taking steps to establish administrative control over the remote, sparsely populated Himalayan regions of Ladakh and the North-East Frontier Agency (NEFA)—the present day state of Arunachal Pradesh, including Tawang. In March 1951, India and the United States signed a confidential mutual defense assistance agreement (Ali 1999). India had no other option but to diplomatically engage the Chinese government in order to fix an agreed border between India and Tibet. Nehru insisted that the border was firm, well-known and undisputed and that there was no room for controversy, "map or no map."

(Ranganathan and Khanna 2000:28). Decisions to publish official maps were taken between 1953 and 1954, showing a clearly delimited boundary between India and Tibet in all sectors.

The McMahon Line boundary dispute is the core of relation between China and India. China has issues with 14 neighbours arising due to land and sea boundary issues, mostly for historical reasons. The Chinese have two major claims on what India claim its own territory. One claim, in the western sector, is on Aksai Chin in the northeastern section of Ladakh District in Jammu and Kashmir. The other claim is in the eastern sector over a region included in the British-designated North-East Frontier Agency, the disputed part of which India renamed Arunachal Pradesh and made a state. In the fight over these areas in 1962, the well-trained and well-armed troops of the Chinese People's Liberation Army overpowered the Indian troops, who had not been properly accustomed to fighting at high altitudes.

In the early 20th Century Britain sought to advance its line of control and establish buffer zones around its colony in South Asia. In 1913-1914 representatives of China, Tibet and Britain negotiated a treaty in India: the Simla Convention. Sir Henry McMahon, the foreign secretary of British India at the time, drew up the 550 mile (890 km) McMahon Line as the border between British India and Tibet during the Simla Conference. The McMahon Line, was drawn primarily on the highest watershed principle, it actually demarcated what was previously unclaimed or undefined borders between Britain and Tibet. The McMahon line moved British control substantially northwards. The Tibetan and British representatives at the conference agreed to the line, which ceded Tawang and other Tibetan areas to the imperial British Empire. However the Chinese representative refused to accept the line. Peking claimed territory in this far north down to the border of the plain of Assam. (Global Security). A slow forward move towards the McMahon Line was begun on the ground, to establish a new de facto boundary. The McMahon Line was then forgotten until about 1935 when the British government decided to publish the documents in the 1937 edition of Aitchison's Collection of Treaties. The McMahon line defined the International boundary between India and China. The NEFA (North East Frontier Agency) was created in 1954. On 7 November 1959, Chou En-lai proposed that both sides should withdraw their troops twenty kilometres from the McMahon line. The issue was quiet during the decade of cordial Sino-Indian relations, but erupted again during the Sino-Indian War of 1962. During the 1962 war, the PRC captured most of the NEFA. However, China soon declared victory and voluntarily withdrew back to the McMahon Line. (Global Security). In 1972, the NEFA became a Union Territory (Govt. of Arunachal Pradesh, official Portal); and finally on 20th February 1987 it was conferred the status of state under the Prime Minister ship of Rajiv Gandhi (Govt. of Arunachal Pradesh, official Portal).

While Nehru insisted on the McMahon Line China refused it on the pretext that it had been imposed by "imperialists". There was an important reason for China's obduracy on this matter. Chinese leaders understood very well that, were they to recognize the validity of the McMahon Line, it would imply that Tibet at that time was an independent state with treaty-making powers. According to Ambassador Nehru, in the post-war period, 'we [India] continued to talk in terms of non-alignment but we [India] had become in fact the allies of the United States in their confrontation at least with China' (Chaudhuri 2009:842). From a political perspective, this was impossible for China to accept, since, unless Tibet was recognized as an inalienable part of China not only in 1951 but historically as well, the Chinese takeover of Tibet lacked legitimacy and would always be considered an imperial conquest (Shakya 1999; Sikri 2009:96)

Dalai Lama

In September 1957, the Aksai Chin road connecting Xinjiang with Tibet was completed. Gradually China's hostile attitude became prominent. There had been an invitation from the Dalai Lama to Nehru, forwarded by Zhou Enlai in January 1958 to visit Tibet, but the Chinese began dragging their feet over Nehru's visit. Incidents of infiltration by Chinese troops in territory claimed by India began to take place more often, and China started publishing maps that claimed large sections of the NEFA. It was evident that the steps being taken by China to tighten its grip on Tibet led it to occupy and claim territory that India also claimed or controlled (Gopal1979). For its part, China resented India's complicity in U.S. efforts, as well as India's own actions to support the Tibetan resistance movement in India. There were large-scale uprisings in Icham and Amdo, many monasteries were destroyed and monks were murdered. Hundreds of refugees streamed into central Tibet and many fled to India as well. The steadily made the situation worse in Tibet, leading in the flight of the Dalai Lama to India in March 1959.

In such situation with popular public sympathy and support for the Dalai Lama, the Indian government had no option but to give asylum to the Dalai Lama. This was regarded by China as a grave act of provocation. Eventually the relation between the two countries became more hostile (Nehru 1959). The relation was defined by serious border incidents and incursions. They might have been worried about the kind of support that India, in collaboration with the United States, was suspected of giving the Dalai Lama to try to fan the flames of rebellion in Tibet. Uncertain about India's attitude and fearing that India could become a platform to launch attacks on Tibet, Zhou visited India in April 1960. It is noteworthy that Zhou's discussions focused on Tibet. It

would appear that the Indian side got caught up in legal and historical arguments and missed Zhou's willingness to settle the border problem within a broader political framework that, while finding a solution on the basis of the status quo, would legitimize China's takeover of Tibet. Although Nehru was inclined to work out a compromise deal with China, his colleagues, senior officials and the intense political pressure he faced in parliament tied his hands and he felt that he had no option but to take a rigid stand (Sikri 2011).

Following the failed visit of Zhou to India in April 1960 especially after the India-China border conflict of 1962, the bilateral relation had severe challenges. India's support to the Dalai Lama and the Tibetans in exile underwent a dramatic change. The Tibetans were allowed to set up a so-called government-in-exile in Dharamsala, even though India has never acknowledged this. Over the last five decades, considerable assistance has been given by India to the Tibetan community in exile, including allocation of land for the rehabilitation of the refugees and funding for schools and Tibetan cultural establishments.

The official Indian position has been that the Dalai Lama is regarded and respected by Indians as a spiritual and religious leader who, as an honored guest, is welcome to stay in India as long as he desires, and that the government of India does not allow Tibetan refugees in India to engage in any anti-China political activity from Indian soil. Aware that the 1954 Panchsheel Agreement had lapsed in 1962, China used the occasion of the Indian prime minister's visit to get India to commit itself to recognizing Tibet as a part of China and to rein in the Tibetans living in exile in India. Thus, in the joint press communiqué issued at the end of Rajiv Gandhi's visit, China "flagged its concern over anti-China activities by some Tibetan elements in India," and India "reiterated its long-standing and consistent policy that Tibet is an autonomous region of China and that anti-China political activities by Tibetan elements are not permitted on Indian soil (Sikri 2011: 62-63).

In 2002 China resumed a serious dialogue on Tibet with the envoys of the Dalai Lama, after it was somewhat reassured that the Dalai Lama was not seeking the independence of Tibet but was demanding only genuine autonomy. Perhaps the improved atmosphere in Sino-Indian relations also influenced the Chinese decision. From the Chinese perspective the Indian position on Tibet was reassuring though not entirely satisfactory. During the Visit of Prime Minister Vajpayee to China in 2003; China recognized Sikkim as an integral part of India, India accepted that the "Tibetan Autonomous Region is part of the territory of the People's Republic of China. China expressed its appreciation for the Indian position firmly opposing any attempt and action aimed at splitting China and bringing about independence of Tibet. The two countries also decided to fast-track border talks by appointing special representatives tasked with exploring from the political perspective of the overall bilateral relationship the framework of a boundary settlement. It must be mentioned that Dalai Lama gave up his support for Tibetan independence in 1974, and only wants China to stop repression against the community (Venkatachalam 2018).

India's decision has sent confusing signals to the Tibetans, as they have always looked upon India to support their cause. Many experts interpret India's stand as weakness in light of the growing military power of China. According to defense experts, China is continuing to build up its military strength at Doklam and that India is unable to prevent the Chinese from building roads in the sensitive region. It could have serious ramifications on India-China relations. To achieve that goal, foreign policy experts worry that Modi may sacrifice the cause of Tibet at the altar of better relations with China. (Venkatachalam 2018). Relation between India and China again came under scrutiny began to deteriorate from the end of 2006 onwards. President Hu Jintao's during his visit to India, made a statement to an Indian TV news channel claiming that the whole of Arunachal Pradesh as a part of China. This claim was reconfirmed when Chinese foreign minister Yang Jiechi told his Indian counterpart in May 2007, contrary to the Indian understanding of the 2005 Agreement on the Political parameters and Guiding Principles for the settlement of the India-China Boundary Question, the mere presence of settlement population did not affect Chinese claims in Arunachal Pradesh (Sikri 2011:64).

China also refused to give a visa to an Indian official from Arunachal Pradesh on the grounds that, the state was a part of China, and hence there was no need for the official for any visa (Dutta 2008). The Chinese have persisted in their policy of keeping India under pressure, they have once in a while used military provocations along the border including, unprecedentedly, on the Sikkim-Tibet border. China's rapid development of its infrastructure in Tibet, which would enable China to have a much stronger military presence in Tibet have added tension for to India. The issue of water is now a prominent one in India's high-level interactions with China as well as in its public discourse (Rao 2010). In January 2008, Indian prime minister Manmohan Singh's visit to China, the document signed at the end of the visit had no mention of Tibet (Sikri 2011:64; Govt. of India, Ministry of External Affairs 2008). India's reaction to the March 2008 troubles in Tibet confirmed that India had subtly changed its policy on Tibet. Contradicting the official Chinese line, India's official statement of 15 March 2008 pointedly talked of "innocent people" having died in Lhasa. The statement drew attention to Tibet's autonomy, suggested that there was merit in the demands of the Tibetans and went on to imply that it was for Beijing to find a solution through talks, not use of force. Manmohan Singh irrespective of the Chinese criticism paid visit to Arunachal Pradesh in October 2009. In the event of tremendous Chinese pressure not to let the Dalai Lama visit Tawang monastery in Arunachal Pradesh, India did not give away to

that. In fact, the Dalai Lama was allowed to visit Tawang in November 2009 (Govt. of India, Ministry of External Affairs 2009). In August 2010, Manmohan Singh had a meeting with the Dalai Lama. Following the practice established during the Indian prime minister's visit to China in 2008, the joint communiqué issued at the end of Chinese prime minister Wen Jiabao's visit to India in December 2010 also carried no mention of Tibet. Tibet continues to remain as an issue of dispute between the two countries.

Aksai Chin- Doklam issue

At the heart of India-China tensions is the dispute over territory in the Aksai Chin area, and Tawang in the Indian state of Arunachal Pradesh, which China claims as a part of southern Tibet. Both countries have so far held 20 rounds of talks to settle the disputes, but, unfortunately, have not reached to a common acceptable solution. However, the situation took a turn for the worse after the Doklam standoff in summer 2017. The dispute is between China and the tiny Himalayan country of Bhutan, with China's forced occupation of the area. Although India is not a direct party to the Doklam dispute but the issue may threaten India's security (Venkatachalam 2018)

Doklam is critical, as it would allow the Chinese troops to enter India through the Siliguri Corridor or "chicken's neck" linking the northeastern states to the rest of India. China's decision to enter Doklam was interpreted as a premeditated move to change the age old status quo. Eventually, after tense negotiations, both sides withdrew from the sensitive area, thus diffusing what could have led to an ugly conflict. India realizes that any war with China would not be in its interests, as the Chinese military is far stronger. On the other hand, China also recognizes that a conflict with India would adversely affect its huge investment made in India's neighborhood and that the best way forward would be to maintain peace along the border. (Venkatachalam 2018).

R. A. Huttenback (1964) in *A Historical Note on the Sino-Indian Dispute over the Aksai Chin*, writes that in 1986, the British agent in Kashgar viewed the "Aksai Chin was a general name for an ill-defined and very elevated table land at the north-east of Ladakh and it was probably the case that part was in Chinese and part in British territory." The truth of the matter was that while the British rulers of India were anxious to demarcate formally, or at least delimit, India's borders with Afghanistan and Russia, they regarded the frontier of the client state of Kashmir with a moribund China of little importance in itself. (Huttenback 1964: 201).

China with its "salami tactics" in the Himalayas in the early 1950s, took control over Aksai Chin plateau by building a strategic highway through that unguarded region. Aksai Chin, part of the original princely state of Jammu and Kashmir, provided China with the only passageway between its restive regions of Tibet and Xinjiang, here lies the significance of Aksai Chin. Both China and India face difficulties in reaching mutually agreeable decisions simply because, a) both sides are "fundamentally distrustful of each other"; and b) domestic politics will prevent either side from making any concessions (Global Security). Some degree of domestic concession is required on either side such that it does not antagonize its own domestic audience. China is also fearful of the tension in the domestic sphere aroused due to the sensitive border issues. In July 2017 India and China were caught in a lengthy confrontation along their shared frontier, tensions and allowing press in both countries to aggravate the already deep-seated mutual distrust. The current confrontation seems to be the most serious in recent times and shows no signs of de-escalating. Both countries deployed around 3,000 troops each in the tri-junction.

According to the *Global Times*, the leading news agency in China stated in an article, states "New Delhi's real purpose is to turn the Donglang area of China into a disputed region and block China's road construction there". It further states, "The Chinese public is infuriated by India's provocation. We believe the Chinese People's Liberation Army is powerful enough to expel Indian troops out of Chinese territory. We firmly believe that the face-off in the Donglang area will end up with the Indian troops in retreat. The Indian military can choose to return to its territory with dignity or be kicked out of the area by Chinese soldiers," (*Global Times* 2017 Link). The Editorial piece further states "This time, we must teach New Delhi a bitter lesson" (*Global Times* 2017).

Chinese and Indian border troops confronted each other close to a valley controlled by China that separates India from Bhutan, and gives China access to a very thin strip of land that connects India to its remote northeastern regions. It escalated tensions between the neighboring giants, who share a 3,500-kilometer (2,175-mile) frontier, large parts of which are disputed. Beijing accused Indian troops to have crossed into a region, called Doklam in India, in June 2017 and have created obstruction in China's work on a road on the Himalayan plateau. Chinese officials say the Indian side's actions infringe upon an 1890 border agreement between Britain and China which was pledged to be maintained by the previous Indian governments.

In similar fashion India, accuses that the Chinese troops entered and tried to construct a road in Bhutanese territory. Bhutan, is a small Himalayan landlocked nation, and in the tussle between India and China Bhutan stands sandwiched between the two countries. Interestingly, Bhutan is hugely dependent on New Delhi and does not have diplomatic relations with Beijing. In fact according to Bhutan the construction of the road on

its territory is “a direct violation” of agreements with China, and aims for maintaining the status quo in the Doklam area which was maintained as before June 16, 2017. However though China and Bhutan have been engaged into negotiation for several decades, both sides have failed to fix the issue since then. Chinese officials accusing India of ‘trespassing’ at the Sikkim borders, have also warned India to learn lessons from its defeat in the hands of China in the 1962 war. In response to that Arunachal Indian Defense Minister Arun Jaitley in a statement to *India Today*, said “India in 2017 is different from India in 1962” (Krishnan 2017). In similar tone Beijing retorted to such comment stating, “to some extent he is right in saying India in 2017 is different from India in 1962, just like China is also different” (Krishnan 2017). And thus the control over the border territories remains to be a burning factor between them.

On assuming power, the People’s Republic of China (PRC) renounced all prior foreign agreements as unequal treaties imposed upon it during the “century of humiliation” and demanded renegotiation of all borders. The Sino-India border remains the only major territorial dispute, other than South China Sea disputes, that China has not resolved. China’s growing assertiveness in its territorial claims, especially on Arunachal Pradesh, and its relentless development of infrastructure in Tibet will shape the prospects of Sino-India relations.

China is in occupation of approximately 38,000 sq. kms of Indian territory in Jammu and Kashmir. In addition, under the China-Pakistan "Boundary Agreement" of 1963, Pakistan ceded 5,180 sq. kms. of Indian territory in Pakistan Occupied Kashmir to China. China claims approximately 90,000 sq. kms. of Indian territory in Arunachal Pradesh and about 2000 sq. kms. in the Middle Sector of the India-China boundary (Global Security). However, Beijing does not recognise Arunachal Pradesh. Infact China has always maintained a consistent position on the issue of India-China border dispute. Chinese Foreign Ministry spokesman Geng Shuang when questioned about media reports on the issue of Chinese soldiers with construction machines entered 200 metres inside Arunachal Pradesh, he denying any knowledge about such media reports, stated, “I need to point out that China's position on the China-India boundary issue is consistent and clear, and we have never recognized the so-called Arunachal Pradesh” (*Business Standard* 2018, *Financial Express* 2018).

The border between China and India has never been officially delimited. China's position on the eastern part of the border between the two countries is consistent. No Chinese government recognizes the McMahon Line. For China, the McMahon Line, is a sign an outcome of imperialist aggression on the country. The Arunachal Pradesh dispute is China’s most intractable border issue. There is a huge discrepancy between the position of the two countries China, and India hence creating problem to reach a common consensus. The disputed region is flat and very rich in water and several other forest natural resources.

Since the 1962 war and defeat of India at the hands of China, both the sides have maintained military and logistics capabilities in the disputed regions. The most potential issue for escalation of conflict between India and China has been the dispute over Aksai Chin. China has continued its occupation of the Aksai Chin area, through which it built a strategic highway linking Xizang and Xinjiang autonomous regions. China had a vital military interest in maintaining control over this region. For India the primary interest lay in Arunachal Pradesh, its state in the northeast bordering Xizang Autonomous Region. An armed clash at Nathu La in eastern Sikkim in 1967, the border between India and China (Tibet) and specifically the Line of Actual Control (LAC) in Ladakh/Aksai Chin and Arunachal Pradesh had remained free of any major incidents throughout the 1970s and the early 1980s. While relations between the two countries remained not so violent in nature, official statements from Beijing and New Delhi expressed a desire to solve the border tangle peacefully through mutual consultations. Beginning in December 1981, officials from both countries held yearly talks on the border issue.

With the improvement of logistics on the Indian side, the Indian Army sought to reinforce and strengthen forward areas in Arunachal Pradesh in the early 1980s. Patrols resumed in 1981 and by the summer of 1984 India had established an observation post on the bank of the Sumdorong Chu. In July 1986 there were reports in the Indian media of Chinese incursions into the Sumdorong Chu river valley in Arunachal Pradesh. By September-October, an brigade of the Indian Army 5 Mountain Division was airlifted to Zimithang, a helipad very close to the S-C valley. Referred to as Operation Falcon, this involved the occupation of ridges overlooking the S-C valley, including Langrola and the Hathung La ridge across the Namka Chu rivulet. (Global Security).

This was followed by reports of large-scale troop movements on both sides of the border in early 1987, and grave concerns about a possible military clash over the border. In February 1987, India established the so-called Arunachal Pradesh in its “illegally occupied” Chinese-claimed territories south of the McMahon Line. The Chinese side made solemn statements on many occasions that China never recognizes the McMahon Line and Arunachal Pradesh. After these events, and India’s conversion of Arunachal Pradesh from union territory to state, tensions between China and India gradually escalated. Both sides moved to reinforce their capabilities in the area, but neither ruled out further negotiations of their dispute.

Both China and India had moved their military troops towards the disputed region. Although India enjoyed air superiority in 1987, rough parity on the ground existed between the two military forces at the borders. The Indian Army deployment in the region, was backed up by paramilitary forces, whereas the PLA was

always available for operations on the border. Most observers believe that the mountainous terrain, high-altitude climate, and logistical difficulties made it unlikely for the protracted conflict to escalate into a larger-scale conflict on the Sino-Indian border. As a result of which the Sino-Indian border has not suffered any major disruptions since 1986, as compared to the incessant firing incidents and infiltration on the Indo-Pak borders, made the Sino-Indian border an example of good neighbourly relations.

In December 1988, Indian Prime Minister Rajiv Gandhi visited China. Both the sides laid emphasis on the Panchsheel as the guiding principle between states. On the question of border issue both agreed to “act in the spirit of mutual understanding and mutual accommodation is the only way to resolve this issue. The two sides agreed to settle the boundary issue through peaceful and friendly consultation”. (Ministry of Foreign Affairs of People’s Republic of China) Both sides agreed to establish a Joint Working Group (JWG) on the boundary questions at the Vice-Foreign Ministerial level joint group on economy, trade and science and technology. While China expressed concern over the activities in the region by some Tibetians, India Prime Minister assured “Tibet is an autonomous region of China and that India does not allow these Tibetans to engage in political activities against China in India” (Ministry of Foreign Affairs of People’s Republic of China).

Relation between the two countries improved on diplomatic exchanges after the visit of Prime Minister Rajiv Gandhi to China. In 1993, on 7 September, an Agreement on the Maintenance of Peace and Tranquility along the Line of Actual Control in the India-China Border Areas. After more than thirty years of protracted border tension, a high-level bilateral talks were held in New Delhi starting in February 1994 to allow “confidence-building measures” between the defense forces of India and China. This allowed scope for betterment of the bilateral relation.

This also paved the way for dismantling the guard posts in along the borderline in Wangdong area in November 1995. This allowed some degree of stability in the border areas. In November 1996, President Jiang Zemin visited India, the Governments of China and India signed the Agreement on Confidence Building Measures in the Military Field along the Line of Actual Control in the China-India Border Areas. This was a vital step towards developing mutual trust and cooperation. Such agreements forms the base for institutional framework which promotes the maintenance of peace and tranquility in the border areas. However the border issue between the true countries still stand as a major challenge to their mutual peace and stability. Such issues are dominated by several domestic compulsions. In fact India and China both are often involved into border encounters with constant disagreement over two sides in demarcating the LCA on the ground. However both the countries had withdrew their stationed troops from the eastern section of the disputed border area.

In June 2003 the Indian Prime Minister Atal Bihari Vajpayee visited China, and signed a Memorandum on Expanding Border Trade, which adds Nathula as another pass on the India-China border for conducting border trade. In the course of three days, India and China signed 11 documents on political, economic and social relationships (Chawla 2003). The Indian side has agreed to designate Changgu of Sikkim state as the venue for border trade market, while the Chinese side has agreed to designate Renqinggang of the Tibet Autonomous Region as the venue for border trade market. As India Today on 2003 visit of Atal Bihari Vajpayee notes, “24 years after his first visit to the People’s Republic as foreign minister, he knew the mission had to be a total triumph or a devastating failure” (Chawla 2003). During Chinese Premier Wen Jiabao’s visit to India in April 2005, the two sides signed an agreement on political settlement of the boundary issue, setting guidelines and principles.

In the agreement, China and India affirmed their readiness to seek a fair, reasonable and mutually acceptable solution to the boundary issue through equal and friendly negotiations. Anticipating that if India developed the border areas, the Chinese can easily use these facilities in the event of a war; India after 1962 adopted a policy to not develop the border areas. However this policy had changed by 2008. To redress the situation of poor infrastructure, poor road connectivity which hampered the operational capability of the Border Guarding Forces deployed along the India-China border, the Government of India decided to undertake construction of 73 roads of operational significance along Indo-China border. Out of these 73 roads, 27 roads involving 804.93 km length are being constructed by Ministry of Home Affairs (D/o Border Management) in the States of Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Sikkim and Arunachal Pradesh at an estimated cost of Rs. 1937 crore. The work of construction of these 27 roads has been assigned to BRO (15 roads), CPWD (8 roads), NPCC (2 roads) and HP PWD (2 roads). Out of 27 roads, 08 roads have been completed. 02 road converted into GS road by MoD. Construction work of other roads is in progress. Present status as on 30-04-2017 suggests 672.46 Kms of formation work and 409.53 Kms of surfacing work completed (Govt. of India, Ministry of Home Affairs)..

The two sides have differences in perception of the Line of Actual Control (LAC) in the India-China border areas. Both sides carry out patrolling activity in the India-China border areas. Transgressions of the LAC are taken up through diplomatic channels and at Border Personnel Meetings/Flag Meetings. India and China seek a fair, reasonable and mutually acceptable settlement of the boundary question through peaceful consultations. In 2011, Chinese President Hu Jintao met with Indian Prime Minister Manmohan Singh in Sanya

City, south China's Hainan Province on 13 April. Hu expressed China's willingness to further push forward negotiations on border issues on the basis of peace and friendship, equal consultation, mutual respect and understanding. He further expressed the need for both sides to consider setting up of a consultation and coordination mechanism on border issues so as to achieve consensus as soon as possible and to better maintain peace and stability at the border regions before the issues are solved.

Similarly At the BRICS Summit in Durban, South Africa, held on 29 March 2013; the President Xi Jinping met Indian Prime Minister Manmohan Singh, Xi urged both sides to use special representatives to strive for a fair, rational framework that can lead to a solution to the border issue as soon as possible. Carolyn Bartholomew, Commissioner of the US-China Economic and Security Review Commission, "Nevertheless, the potential for periodic low-level confrontations between border patrols to escalate likely will persist. Indian media have reported several additional albeit briefer incursions by Chinese troops since the April standoff", She added "Furthermore, both China and India continue to boost their militaries' capabilities on the border, adding to mutual suspicion" (*The Economic Times* 2013). Such suspicion of military exercise by both sides has left both countries sensitive to each other's border activities and be careful about each sides intentions. She further quotes, warning by Ely Ratner and Alexander Sullivan of the Center for a New American Security, "more intense strategic competition between India and China would reverberate throughout the continent, exacerbating tensions in Central Asia, the Indian Ocean, and Southeast Asia. Disruptions to the Asian engine of economic growth caused by these tensions could debilitate the global economy." (*The Economic Times* 2013).

Chinese troops entered disputed territory along the Sino-Indian border, Indian media sources have reported such incidents as not as one of its first incursion into Indian territory but with previous records. Several agencies reported such incident of incursion. According to Economic Times dated 18 August 2014, "Chinese troops are reported to have entered 25 to 30km deep into Indian territory in Burtse area in Ladakh where they had pitched their tents last year that had led to a tense three-week standoff,"(*The Economic Times* 2014; *The Times of India* 2014). According to the *Millennium Post* troops from the People's Liberation Army were spotted at New Patrol base post in Burtse area of North Ladakh in Jammu and Kashmir (*Millennium Post* 2014). Several other sources including *Millennium Post* writes that the PLA has crossed a de-facto border known as the Line of Actual Control (LAC) and moved deeper into Indian-held territory. The PLA reportedly carried flags reading "this is Chinese territory, go back" in their hands (*Millennium Post* 2014).

India Prime Minister Narendra Modi after holding talks in New Delhi 18 September 2014, urged on visiting Chinese President Xi Jinping with the intention to resolve a boundary dispute. Modi said he had raised serious concerns over the issue with Chinese President Xi Jinping. He said the boundary dispute must be resolved soon. After the meeting Prime Minister said "I raised our serious concern over repeated incidents along the border. We agreed that peace and tranquility in the border region constitutes an essential foundation for mutual trust and confidence and for realising the full potential of our relationship. This is an important understanding, which should be strictly observed," Prime Minister further suggested that "clarification of the LAC would greatly contribute to our efforts to maintain peace and tranquility". He reported to have requested Xi to "resume the stalled process of clarifying the LAC" (*India Today* 2014; Govt. of India, Ministry of External Affairs 2014 Link).

India's foreign minister said 26 September 2014 that India and China had resolved a tense, two-week military border standoff in the northern Himalayan region. Sushma Swaraj said after meeting with Chinese counterpart Wang Yi in New York that Chinese troops would begin withdrawing Friday 26 September 2014 and would be finished by Tuesday. She described the resolution as a "big accomplishment." Hundreds of Chinese troops moved into a territory claimed by India, sparking the standoff on the remote mountainous frontier of Ladakh. India said the Chinese troops wanted to extend a road they were building on their side of the border into territory claimed by India. China agreed not to extend the road into the disputed territory. In return, India agreed to demolish a recently built observation hut.

India and the South China Sea

The South China Sea dispute is based on land and maritime claims among China and several nations within the region. China claims to have historically exercised exclusive control over the waters, a claim rejected by the Permanent Court of Arbitration in The Hague. As a high proportion of the world's trade passes through the South China Sea, there are many non-claimant nations including India that want the South China Sea to remain as international waters, with many nations including the United States of America conducting freedom of navigation operations.

The significance of region for India is that, as Indian trade and economic linkages are growing with East Asian nations and with the Pacific region. India also believes that the disputes between SE Asian littoral states are a litmus test for international maritime law and that freedom of navigation and commercial access as enshrined in the UNCLOS must be ensured in the region. The South China Sea dispute involves a number of Nations including Brunei, China, the Republic of China (Taiwan), Malaysia, Philippines, and Vietnam. The

dispute centres on the immense oil and gas potential that the region has, 7.5 billion barrels of proven oil reserves and 145.5 trillion cubic feet of gas. Tensions first brewed up in the region in 1947, when China issued a map claiming ownership of the entire sea, citing 2,000 years of history.

This was contested by Vietnam, Philippines, Malaysia, Brunei, Indonesia and Taiwan. Then the presence of rival navies added to the tension. The United States is already engaged in the region following its old treaty obligations with Taiwan and Philippines. Moreover, the South China Sea is a critical transit route for the US Navy and oil flow. Its oil giants have also concluded exploration agreements with littoral governments. The disputes involve the islands, reefs and banks of the South China Sea, including the Spratly and Prataley islands and the various boundaries, like those in the Gulf of Tonkin. The interests of the nation's revolve around retaining or acquiring the rights to fishing areas, exploration of crude oil and natural gas under the waters of various parts of the South China Sea, and the strategic control of important shipping lanes. (Jawli 2016)

The South China Sea is dubbed by China as the 'second Persian Sea' for its oil reserves. It has 1,367,000 barrels oil production a day. The Chinese have calculated that the South China Sea will ultimately yield 130 billion barrels of oil. If these calculations are correct then it contains more oil than any area of the globe except Saudi Arabia. China is desperate for finding new energy resources as Chinese oil reserves account for only 1.1 percent of the world total, while it consumes over 10 percent of world oil production and over 20 percent of all the energy consumed on the planet. Chinese National Offshore Oil Corporation has invested \$20 billion in the region with the belief that there are vast reserves of oil in the area, which it can exploit. The location and energy reserves give the South China Sea a critical geostrategic importance. China wants to control it as it imports most of its oil through this trade route. Doing so would enable China to establish hegemony in East and Southeast Asia that no other country involved in the dispute is capable of. It has resulted in territorial disputes surrounding these more than two hundred small islands, but only about thirty-five of them are permanently above water (Jawli 2016). For India, a huge stake in South China Sea in terms of geopolitics, geo-strategy and geo-economics interests. Though India is not in the South China Sea region geographically, it is involved with SCS littoral states through naval exercises and visits, strategic partnerships, oil exploration and through diplomatic discussions at multilateral forums. India has extended its diplomatic outreach to the SCS by what it calls 'extended neighbourhood'. India used the concept of 'extended neighbourhood' in 2000 to reach out to areas outside South Asia, which are vital for furthering its diplomatic goals. The SCS has now been firmly included in this realm of India's interests, which is evident from its engagement as strategic partner of ASEAN. With an objective to secure a substantial position in East Asia, India has moved to Act East Policy (AEP), which is a leap forward from its Look East Policy (LEP). Under the AEP, India aims to gain a degree of pre-eminence in the Indian Ocean, and with this, it also wants to contain China's growing hegemony in the South China Sea. A complete control over South China Sea by Chinese maritime forces would bring these forces to the Strait of Malacca choke point, which looks out onto the Indian Ocean. This is a strategic point of entry into India's backyard, and New Delhi would never like China to reach to that point of controlling the waters. (Jawli 2016:88).

A further geopolitical interest for India in the South China Sea is its geographical location. The SCS lies at the intervening stretch of waters between the Indian Ocean and the Western Pacific. As Indian maritime cooperation grows with America and Australia, these waters have come to be referred to as 'Indo-Pacific'. Indian Navy now operates in the Western Pacific in cooperation with the United States and Japanese navies; therefore, it becomes all the more significant that India gets a secure access through the intervening waters of the South China Sea. To be able to navigate from the Indian Ocean to Western Pacific, easy and unhindered access through South China Sea has gained preeminence in India's calculus in the region. There is also a solid strategic reason behind India's efforts towards strengthening its involvement with littoral States in the South China Sea. China has been operating in the Indian Ocean without any hindrance for many years now and India has not been able to do anything about it.

China is not a power in the Indian Ocean, yet it is investing diplomatically and militarily in the region to become an influential actor in the region. So for India, gaining access to the South China Sea is a way to balance China's naval activities in Indian Ocean. The South China Sea and the Indian Ocean are interrelated, and India and China both do not want the other to increase its supremacy over any of the two international bodies. The power struggle continues between the two Asian giants in these waters, with the scales titling a little more towards China as of now. Interestingly, China has been contending that, despite the name, the Indian Ocean does not belong to India alone. India and other countries can equally argue that the South China Sea does not belong to China alone.

The Indian leaders have emphasized time and again that India's Look East Policy marks a shift from economic issues to efforts towards protecting the sea lanes. India has high stakes in the uninterrupted flow of commercial shipping in the South China Sea, and also in maintaining the movement of its Navy in these waters. For India, the South China Sea region holds importance in terms of its trade with the Asia-Pacific region. Over 55 percent of India's trade passes through the South China Sea; therefore, peace and stability in the region is of

great significance to it. India undertakes various activities, including cooperation in oil and gas sector, with littoral states of the South China Sea too (Majumder 2013).

India's position on the South China Sea was indicated in the joint ASEAN-India Vision Statement in December 2012. It stressed, "India's role in ensuring regional peace and stability," and for that "we agree to promote maritime cooperation to address common challenges on maritime issues," and that "we are committed to strengthening cooperation to ensure maritime security and freedom of navigation, and safety of sea lanes of communication for unfettered movement of trade in accordance with international law, including UNCLOS." (Vision Statement-ASEAN-India Commemorative Summit 2012)

India's official stand regarding the South China Sea was stated by General V.K. Singh, the External Affairs Minister of State, in the Upper House of Parliament on 4th August 2016. He stated in the House that India "supports freedom of navigation and over flight, and unimpeded commerce, based on the principles of international law, as reflected notably in the UNCLOS. India believes that States should resolve disputes through peaceful means without threat or use of force and exercise self-restraint in the conduct of activities that could complicate or escalate disputes affecting peace and stability. As a State Party to the UNCLOS, India urges all parties to show utmost respect for the UNCLOS, which establishes the international legal order of the seas and oceans." (Govt. of India, Rajya Sabha 2016).

Indian Naval Presence in South China Sea

India has been deploying its Navy in the South China Sea for more than one and half decades now, which is a sign of the region falling under its strategic purview. These deployments include movement of the Indian Navy, bilateral exercises, port calls to friendly countries and transit through these waters. The Indian Navy is a familiar sight in the South China Sea since its first deployment in 2000, which was described by Indian commentators as "for the first time, in a quiet show of strategic reach, India is going out of her own sphere, experimenting with something new. On May 18 2016, four ships of the Indian Navy's Eastern Fleet were sent on a two and half month-long operational deployment to the South China Sea and North Western Pacific." In a demonstration of its operational reach and commitment to India's 'Act East' Policy, the Indian Navy's Eastern Fleet was sent to the seas, according to a press

release of the Ministry of Defence. The naval force consisted of the 6,200-ton Shivalik-class guided-missile stealth frigates Satpura and Sahyadr armed with supersonic anti-ship and land-attack cruise missiles; the 27,550-ton Deepak-class fleet tanker Shakti, one of the largest surface warships in the Indian Navy; and the 1,350-ton Kora-class guided missile corvette Kirch, armed with sub- and super-sonic anti-air and anti-ship missiles. The purpose of the deployment was strengthening military-diplomatic ties and enhancing interoperability with other navies. The Indian warships made port calls at Cam Rahn Bay in Vietnam, Subie Bay in the Philippines, Sasebo in Japan, Busan in South Korea, Vladivostok in Russia, and Port Klang in Malaysia. The visits to each port lasted four days and were aimed at strengthening bilateral ties and enhancing cooperation between the navies. During the stay in harbour, various activities such as official calls and professional interaction between naval personnel of both the nations took place. The fleet also conducted passing exercises (PASSEX) with other navies to practise cooperation and "showing the flag" in a region "of vital strategic importance to India," according to the defence ministry.

The fleet's operational deployment culminated in its participation in the Malabar Exercise, a naval exercise held with the U.S. Navy and Japan Maritime Self-Defence Force (JMSDF), which took place off Okinawa in Japan in the second half of June. Japan was involved in the naval exercise in 2007, 2009, and 2014, but in 2016, it joined not as a foreign invitee but as a permanent member of the annual naval exercise. India's naval deployments are varied in nature; some are part of bilateral exercises such as with the Singapore navy and some are friendly port calls to littoral countries, such as Brunei, Indonesia, Malaysia, the Philippines, and Vietnam. All these activities bring the Indian Navy into the much contested water of the South China Sea. India's strategic compulsion behind these naval exercises is quite clear, an increased Chinese naval presence and activities in the Indian Ocean have been countered by bilateral Indian naval exercises with Singapore and Vietnam in the South China Sea. Indian Navy has also been deployed further eastward into the Western Pacific in 2007, 2009, 2011, and 2012 for joint exercises with the United States and Japanese navies, crossing the South China Sea.

India's defence links with the littoral states of the South China Sea have been strengthened in recent years, particularly in the naval setting. New Delhi has fortified its links with these states through the MILAN exercises held since 1995 at Andaman and Nicobar Islands. A number of South China Sea littoral states such as Thailand, Malaysia, Singapore, Indonesia, Brunei, Vietnam, and the Philippines have participated. These countries are working with India in the Bay of Bengal and through a number of defense security agreements and naval links, India is cooperating with them in the South China Sea. In 2014, India, Australia, Bangladesh, Cambodia, Indonesia, Kenya, Malaysia, Maldives, Mauritius, Myanmar, New Zealand, the Philippines, Seychelles, Singapore, Sri Lanka, Tanzania and Thailand participated in the six-day MILAN exercise (John

2014). India's establishment in July 2012 of deep water maritime facilities in Campbell Bay (INS Baaz), the southernmost point of the Andaman Islands, enables India to conduct surveillance operations over the South China Sea. The Southeast Asian nations view the Indian Campbell Bay initiative with hope that it will somewhat contain the aggressive posturing by China in the region. Some members of the Association of Southeast Asian Nations, particularly Vietnam and the Philippines have faced difficulties due to belligerent Chinese attitude and they are willing to cooperate with India to balance Chinese might in the waters.

The same logic lies behind India's security links with Singapore, which were established back in the 1990s with naval exercises held on a regular basis since 1994. Singapore's location as the exit point for the Strait of Malacca into the South China Sea is of immense geopolitical significance for India. Singapore has provided a supportive location for Indian forces passing through from the Indian Ocean into the South China Sea, while India has given extensive air force and army training facilities to Singapore. The two countries have formalized their cooperation through the Defence Cooperation Agreement of 2003 and the Joint Military Exercises Agreement of 2007. India's SIMBEX naval exercises with Singapore have also been conducted in the South China Sea.

Chinese objection to Indian naval presence and oil exploration On 22 July 2011, the INS Airavat, an Indian amphibious assault vessel on a friendly visit to Vietnam, was reportedly contacted 45 nautical miles from the Vietnamese coast in the disputed South China Sea by a party identifying itself as the Chinese Navy and stating that the ship was entering Chinese waters. A spokesperson for the Indian Navy explained that as no ship or aircraft was visible, the INS Airavat proceeded on its onward journey as scheduled. The Indian Navy further clarified that 'there was no confrontation involving the INS Airavat. India supports freedom of navigation in international waters, including in the South China Sea, and the right of passage in accordance with accepted principles of international law. These principles should be respected by all.' (Govt. of India, Ministry of External Affairs 2011).

In September 2011, shortly after China and Vietnam signed an agreement seeking to contain a dispute over the South China Sea, India's state-run explorer, Oil and Natural Gas Corporation (ONGC) said that its overseas investment arm, ONGC Videsh Limited, had signed a three- year agreement with Petro Vietnam for developing long-term co- operation in the oil sector, and that it had accepted Vietnam's offer of exploration in certain specified blocks in the South China Sea. In response, Chinese Foreign Ministry spokesperson Jiang Yu, stated "China enjoys indisputable sovereignty over the South China Sea and the island. China's stand is based on historical facts and international law. China's sovereign rights and positions are formed in the course of history and this position has been held by Chinese Government for long. Based on this, China is ready to engage in peaceful negotiations and friendly consultations to peacefully solve the disputes over territorial sovereignty and maritime rights so as to positively contribute to peace and tranquility in the South China Sea area. We hope that the relevant countries respect China's position and refrain from taking unilateral action to complicate and expand the issue. We hope they will respect and support countries in the region to solve the bilateral disputes through bilateral channels. As for oil and gas exploration activities, our consistent position is that we are opposed to any country engaging in oil and gas exploration and development activities in waters under China's jurisdiction. We hope the foreign countries do not get involved in South China Sea dispute." An Indian foreign ministry spokesman responded, "The Chinese had concerns, but we are going by what the Vietnamese authorities have told us and have conveyed this to the Chinese". The Indo- Vietnamese deal was also denounced by the Chinese state-run newspaper *Global Times* (Observer Research Foundation 2011). In 2012 the Indian ambassador to Vietnam, while expressing concern over rising tension in the area, said that 50 per cent of its trade passes through the area and called for peaceful resolution of the disputes in accordance with international law.

Agreement to Solve India-China Border Issue

Shimla agreement of 1914: The aim was to demarcate the boundary between Tibet and North East India, a convention was held at Shimla in 1914, representatives of all three i.e. Tibet, China and British India. After the discussion, the agreement was signed by British India and Tibet but not by the Chinese officials. Presently India recognizes the McMahon line, as agreed by the Shimla convention, as the legal boundary between India and China. However, China rejects the Shimla agreement and the McMahon line, contending that Tibet was not a sovereign state and therefore did not have the power to conclude treaties. Panchsheel Agreement of 1954: The Panchsheel doctrine clearly indicated the willingness to 'Respect each other's sovereignty and territorial integrity'. Although we have come a long way since, from 1962 war to the cold peace era of 1962-1989, to the revived tensions of the present, the intent of the doctrine was well directed. It must have acted as a safeguard against any such disputes arising at the first place.

In 1989, India-China formed a Joint Working Group for Confidence building measures (CBMs) and agreed to mutually settle all border disputes. India-China Agreements regarding the Line of Actual Control (LAC): The LAC is the effective military border which separates Indian controlled areas of Jammu and Kashmir

from Aksai Chin. It is to be noted that this border is not a legally recognized international boundary, but rather it is the practical boundary. Conventionally, India considers the Johnson line of 1865, marked by a civil servant W.H. Johnson, which put Aksai Chin in Jammu and Kashmir. On the other hand, China recognises the McCartney-Macdonald Line as the actual boundary which puts Aksai Chin in Xinjiang region of China. In 1993, when the then Prime Minister Narasimha Rao visited China, 'The Agreement for Maintenance of Peace and Tranquility along the LAC' has been signed between India and China. In 1996 an agreement took place on Confidence Building Measures in the military field along the LAC.

In 2003 India and China signed a Declaration on Principles for Relations and Comprehensive Cooperation and also mutually decided to appoint Special Representatives to explore the framework of a boundary settlement from the political perspective. The India-China relations received a major boost in 2003. China recognized India's sovereignty over Sikkim. This was also followed by a framework of Guiding principles and political parameters to improve bilateral ties. It proposed a three-step resolution to the border disputes:

- a. A bilateral agreement on the laid down principles.
- b. This was to be followed by an exchange of maps between the two countries.
- c. Once satisfied with the markings, the final demarcation of borders was to take place.

In 2005 a protocol was agreed on Modalities for the implementation of Confidence Building Measures in the Military field along the LAC. In 2012 India and China agreed on the establishment of a working mechanism for Consultation and Coordination on India China borders.

Area of Convergence

Cultural Linkages

India-China cultural exchanges date back to many centuries with some evidence of exchange conceptual and linguistic in almost 1500-1000 B.C. between the Shang-Zhou civilization and the ancient Vedic civilization. During first, second and third centuries A.D. several Buddhist pilgrims and scholars travelled to China on the historic "silk route". Kashyapa Matanga and Dharmaratna made the White Horse monastery at Luoyang their abode. Ancient Indian monk-scholars such as Kumarajiva, Bodhidharma and Dharmakshema contributed to the wide spread of Buddhism in China.

Chinese pilgrims also undertook journeys to India, notable among them being Fa Xian and Xuan Zang. As a mark of the historical civilizational contact between India and China, India constructed a Buddhist temple in Luoyang, Henan Province, inside the White Horse Temple complex believed to be built in honour of the Indian monks Kashyapa Matanga and Dharmaratna. The temple was inaugurated in May 2010 by President of India Pratibha Patil during her visit to China. In February 2007, the Xuan Zang memorial was inaugurated at Nalanda. In June 2008, joint stamps were released, one stamp depicting the Mahabodhi temple at Bodhgaya and the other depicting the White Horse temple at Luoyang. In order to further academic exchanges, a Centre for Indian studies was set up in Peking University in 2003. Chairs of Indian Studies/Hindi have also been established in Shenzhen University, Jinan University, Fudan University, Guangdong University and in Shanghai International Studies University. In fact in the 1960s and 1970s Indian Bollywood movies gained much popularity in being rekindled in recent times again. India and China have entered into an agreement on co-production of movies, the first of which based on the life of the monk Xuan Zang hit the theaters in 2016.

Yoga is becoming increasingly popular in China. China was one of the co-sponsors to the UN resolution designating June 21 as the International Day of Yoga. During the visit of Prime Minister Narendra Modi to China in May 2015, a Yoga-Taichi performance in the world heritage site of Temple of Heaven was witnessed by Premier Li Keqiang and the Prime Minister. During the same visit, an agreement was signed to establish a Yoga College in Kunming, Yunnan Province. In recent events, on 20 June 2017, eve of International Day of Yoga, a successful Yoga@Great Wall event was organized at the Juyongguan section of the Great Wall (Shashtri and Bhatt 2018). Minister of State for External Affairs Gen. (Dr) VK Singh (Retd) attended the event. Colors of India Festival showcasing a unique blend of Indian performing arts, Bollywood movies and Indian photography was held from 15-26 May, 2017 at Beijing and Nanjing. The 2nd International Conference of Indologists-2016 was successfully held at Shenzhen from 11-13 November 2016. The Conference saw participation of more than 75 Indologists from world over including China, Germany, Thailand, Chile and India. An exhibition of Gupta Art at the Palace Museum in Beijing, titled "Across the Silk Road: Gupta Sculptures and their Chinese Counterparts, 400-700 CE" featuring 56 Indian sculptures was held in year 2016. (Govt. of India, Ministry of External Affairs).

Educational Cooperation

India and China signed Education Exchange Programme (EEP) in 2006, which is an umbrella agreement for educational cooperation between the two countries. Under this agreement, government scholarships are awarded to 25 students, by both sides, in recognized institutions of higher learning in each other's

country. The 25 scholarships awarded by India are offered by Indian Council for Cultural Relations (ICCR). During the visit of Prime Minister Sh. Narendra Modi to China, both the countries have signed fresh Education Exchange Programme (EEP) on May 15, 2015. The same provides for enhanced cooperation between institutions in the field of vocational education; collaboration between Institutes of higher learning, etc. 25 Chinese students have been selected to join Hindi language course for the academic year 2017-18 under EEP scholarship awarded by ICCR.

Apart from this, Chinese students are also annually awarded scholarships to study Hindi at the Kendriya Hindi Sansthan, Agra to learn Hindi. For the year 2017-18, 5 Chinese students have been selected to study in Agra under this scheme. The cooperation in the education sector between the two sides has resulted in an increase in the number of Indian students in China. During the Academic Year 2016-17 there were 18171 Indian students studying in various universities in China in various disciplines. Shri Prakash Javadekar, Minister of Human Resource Development, attended BRICS Ministers of Education on 5th July, 2017 at Beijing, China. In his speech, he appreciated the creation of institutional mechanism in the form of BRICS Network University and BRICS Think Tank Council. BRICS Network University, where 12 universities from each of the 5 countries will engage with each other in education research and innovation, is another commendable initiative. Five areas of cooperation are prioritised which are Communication and IT, Economics, Climate Change, Water Resources and Pollution, and BRICS study. India will participate whole-heartedly in all these cooperative efforts.

The Embassy maintains regular communication with MoE in China as well as all universities where there are a sizeable number of Indian students. Further, Embassy officials also visit universities to not only establish direct contact with university authorities but also to interact with the Indian students. Students are encouraged to approach the Embassy in case they are faced with serious problems. For this purpose, the mobile number and email address of Minister (Education/Consular) and email address of Second Secretary (Education) is provided on the Embassy website. The Mission has also launched a social media account on Wechat for Indian students, with the objective to make it easy for them to reach out to the Embassy as well as to link them to other fellow Indian students studying in different cities of China.

Climate change

Climate change has broken the ice where India and China have forged common ground. Significantly, the global economic downturn has also forced developed nations to recognise the potential of the two countries bringing them together in some common economic platforms. In fact, the importance of Sino-Indian unity, especially on the international stage, has been brought home by Copenhagen where the two countries have demonstrated a strong bonding to ensure that developed countries do not extract unilateral concessions from the developing ones. There are not other ways when it comes to international issues but to cooperate. (Ganapathy and Sharma 2009). Nirmala Ganapathy & Shantanu Nandan Sharma writes that there is a consensus that while it is important for both China and India negotiate a political settlement for the border dispute, there is also a need to focus on the positive areas. "We have to accept that there are constraints. But at the same time we can't perpetually believe that US is the only landing port for both India and China. We need to depend on each other's economies as well," said strategic analyst C Uday Bhaskar. "We can't have a relationship which is purely black and white." (Ganapathy and Sharma 2009)

India- China Trade Relations

The relationship between the two giants of Asia, and the world, has been progressing at a tremendous pace. Both nations have witnessed their share of ups-and-downs over the years. India and China today represents Asia's two largest and most dynamic economies which are emerging as new trend setters in international relations. The history of bilateral relations between India and China dates back to mid 1980s¹. The process of dialogue initiated by the governments of the two countries at that point of time was quite helpful in identifying the common trade interests. Efforts were initiated to make the most of their economic strengths so as to further the economy relations between India and China. In the year 1984, India and China entered into a Trade Agreement, which provided them with the status of Most Favored Nation (MFN). It was in 1992 that the India and China got involved in a full-fledged bilateral trade relation. The year 1994 marked the beginning of a new era in the India- China economic relations. In this year a double Taxation Agreement was signed between India and China. The government of both the countries also took the necessary initiative to turn into dialogue partners in the Association of Southeast Asian Nations (ASEAN).

In 2003, Bangkok Agreement was signed between the two countries.

Under this agreement both India and China offered some trade preferences to each other. India provided preferences on tariff for 217 products export from India. In 2003, India and China entered into an agreement to initiate open border trade via the Silk Route. The two countries have also shown interest to take part in a multilateral trade system as per the WTO commitments. China has already been the top trading partners of India in the recent time. The economic relation between the two countries is considered to be one of the most

significant bilateral relations in the contemporary global economic scenario and this trend is expected to continue in the years to come. Today, China is India's largest trading partner; whereas India is within the top ten of China's trading partner

India's Import from China			India's Export to China
All Products Unit: (Figure in US Dollar thousand)	Year	Value	Value
	2009	30,613,371	10,370,052
	2010	41,249,116	17,439,991
	2011	55,483,025	16,717,786
	2012	54,140,455	14,729,317
	2013	51,635,444	16,416,825
	2014	58,230,546	13,434,251
	2015	61,604,427	9,576,579
	2016	60,483,103	8,916,073
	2017	71,971,173	12,492,392
2018	73,738,222	16,403,899	

Compiled from Trade Map Link; [Link](#)

	2001	2006	2011	2016
India's imports from China (USD billion)	1.83	15.64	55.48	60.48
CAGR (%)	-	53.6%	28.8%	1.7%
Share in India's total imports	3.6%	8.8%	12.0%	17.0%
India's exports to China (USD billion)	0.92	7.83	16.72	8.92
CAGR (%)	-	53.4%	16.4%	-11.8%
Share in China's total imports	0.4%	1.0%	1.0%	0.6%

Source: Adapted from PHD Research Bureau PHD Chamber Of Commerce and Industry (2018), [Link](#)

CHINA-INDIA Bilateral Trade

China and India today represent Asia's two largest and most dynamic societies which are emerging as new trend setters in international relations. Especially, with their annual GDP growth rates standing respectively at 9.1% and 8.5% for 2003 and at 9.5% and 6.9% for 2004, China and India have since come to be recognised as the fastest

growing economies. According to World Bank estimates, and assessed on the basis of purchasing power parity, China and India have already become respectively the second and fourth largest economies of the world surpassing developed countries. From the global perspective, China and India today represent two unique new players—presenting an extraordinary combination of a very large GDP and still with significant poverty and pockets of unrest and a very low per capita income and living standards. This unique combination raises several questions about their becoming major drivers in international economic trends.

However, in the politico-strategic sphere, their recent economic success has resulted in both seeking an expanded space in regional as well as international decision-making, something that is becoming a matter for worldwide concern. Thanks, however, to their colonial and cold war legacies, their economic success had, for a long time, remained a mutually exclusive exercise thus slowing down its pace of progress and its global impact. It is only rather recently that their political initiatives at confidence-building began to expand their areas of mutual co-operation, which now remains premised on their new mantra of mutual accommodation and mutual

Their bilateral trade has since come to be recognised as the most reliable as also the most agreeable instrument of China-India rapprochement. Their long-term potential as trade partners, however, remains yet to be fully explored and exploited and their political equations remain yet vulnerable to their problematic legacies. It is in this context of their fast changing equations that this article makes an attempt to hypothesise how their bilateral trade promises to become the most potent instrument for resolving their political difficulties and facilitate progress in actualizing their strategic partnership for the future. This China-India economic partnership remains an essential prerequisite for the success of their regional and global political initiatives.

The new context

The context of China-India bilateral trade itself—bilateral as well as regional and global—has been changing rapidly. At the bilateral level, this is self-evident in the way their rapidly growing trade partnership has provided a great boost to their ongoing political confidence-building. In the wake of their diplomatic stand-off following India's nuclear tests of May 1998, their bilateral trade was the first to bounce back to its normal pace. However, this boom in their bilateral trade could not have been possible in absence of bold political initiatives yet, in recent years, it is the role of their business communities that has become far more influential in determining the tone and tenor of their political interactions. Their recent signing of the April 2005 "general parameters" agreement for their boundary settlement, their opening of a third border trade route through Sikkim in June 2003, and now their discussions for evolving a China-India Free Trade Area (FTA) remain some of the examples which have been accompanied by a reduction in forces deployment on their border and revival of several cottage industries among border communities in remote and inaccessible regions⁵

Apparently, policy-makers from both sides have begun to increasingly focus on the social and political spin-offs of their bilateral trade. The last five years have witnessed China-India trade quadruple and the expectation that it will reach US\$30 billion by 2010 appears increasingly credible. However, for both China and India, their rise to stardom is no without its share of pitfalls, puzzles and challenges. Much of the aforementioned success remains particularly true of China with India slightly behind. India's Prime Minister Manmohan Singh is seen as an architect of India's economic reforms and opening up. However, even without government initiatives, several sectors in India have picked up momentum and will continue to grow helping New Delhi to catch up with Peking. For example, the number of skilled professionals from India are growing at enormous speed. They mainly work in the software industry, and Chinese enthusiasm for India's information technology sector clearly recognises this new trend.

Trends in bilateral trade ties

Nothing compares to the China-India bilateral trade when it comes to evaluating the positive trends in post-1962 China-India relations. Starting with an extremely slow pace with an annual turnover of only a few million dollars, and then staying on the margins for much of the 1980s, their trade has gradually come to occupy the centre stage of their interaction. The target of reaching US\$20 billion in bilateral trade by 2008—set by the two prime ministers in their meeting in Delhi in April 2005—is now expected to be reached before end of 2005. Similarly, the target of US\$30 billion of bilateral trade set for 2010 is now expected to be reached by 2008. At least in the short-run, their current institutional arrangements and enthusiasm augurs very well for their continued trade boom, which can contribute a great deal to their growing confidence one in the other and their evolving long-term strategic partnership. Especially, China's foreign trade stood at US\$851 billion for 2003 and exceeded US\$1 trillion for 2004. India's foreign trade, by comparison, reached only about US\$180 billion for 2004. If the East Asian financial crisis had diverted China's trade to India then the counter trends in the wake of India's nuclear tests of May 1998, resulted in India's total foreign trade sliding from US\$86.86 billion for 1998 to US\$81.84 billion for 1999. However, this general slide was not proportionally reflected in the China-India bilateral trade though China this was perhaps one area most directly affected by India's nuclear tests (see Figure 1).

Positive trends in the bilateral trade have been particularly shaped by the economic reforms on both sides and the consequent search for new business partners. As a result of this, their complicated politico-strategic equations, that had continued to slow the rising enthusiasm, have come to be underplayed and marginalised. To cite some examples of China using trade as its diplomatic tool, its trade with other problematic neighbours like Japan and South Korea has increased respectively from US\$16.8 billion and US\$0.7 billion for 1990 to a whopping US\$99.6 billion and US\$36.2 billion for 2002, making them each other's most valued trade partners. China's combined trade with Japan and South Korea reached US\$212 billion for 2004¹. For the same period, China's bilateral trade with India grew from US\$0.2 billion for 1990 to US\$5 billion for 2002, though it has increased much faster since then reaching US\$7.6 billion for 2003 and US\$13.6 billion for 2004.

INDIA (Figures in \$ Bn)		CHINA		BILATERAL		TRADE	
Year	India's Export to China	%Change	India's Import from China	%Change	Trade Imbalance	Total Trade	%Change
2014	16.41	-3.72	54.24	11.95	37.83	70.65	7.88
2015	13.39	-18.39	58.26	7.42	44.87	71.65	1.42
2016	11.75	-12.29	59.43	2.01	47.68	71.18	-0.67
2017	16.34	39.11	68.1	14.59	51.76	84.44	18.63
2018	18.83	15.21	76.87	12.89	58.04	95.7	13.34
2019 Jan- Nov	16.32	-4.6	68	-3.5	51.68	84.32	-3.72

Source: Adopted from Official Website of Government of India, Embassy of India, Beijing , China, Link

Indian Export includes: Organic Chemicals; Ores, Slag and Ash; Natural Pearls, Precious stones and Precious metals; Cotton, Including Yarns and Woven Fabrics thereof; Fish and Crustaceans, Molluscs and Other Aquatic Invertebrates

Indian Import includes: Electric Machinery, Sound Equipment, Television Equipment and parts thereof; Nuclear Reactors, Boilers, Machinery and Mechanical Appliances and Parts; Organic Chemicals; Plastics and articles thereof; Articles of Iron and Steel

Bilateral Investment

Growth in bilateral investment has not kept pace with the expansion in trading volumes between the two countries. While both countries have emerged as top investment destinations for the rest of the world, mutual investment flows are yet to catch up. According to the Ministry of Commerce of China, Chinese investments in India between January-September 2019 were to the tune of US\$0.19 billion and Cumulative Chinese investment in India till the end of September 2019 amounted to US\$5.08 billion. Cumulative Indian investment in China until September 2019 is US\$ 0.92 billion. However, these figures do not capture investment routed through third countries like Singapore, Hong Kong, etc. especially in sectors such as start-ups etc. which has seen significant growth in Chinese investment.

Institutional Bilateral Economic and Commercial Dialogue Mechanisms

India-China Economic and Commercial Relations are shaped through various dialogue mechanisms. Recently during the Informal summit held at Chennai, both leaders agreed to set up a High-Level Mechanism on Trade and Economic Cooperation. The following are the existing dialogue mechanisms.

A. Joint Group on Economic Relations, Science and Technology (JEG), led by the Commerce Ministers of both sides. Joint Economic Group (JEG) was established in 1988 during the visit of Prime Minister Rajiv Gandhi to China, to discuss trade cooperation issues. So far 11 JEGs were held with the last one held in Delhi in March 2018. During the 9th JEG, the two sides also set up three working groups on Economic and Trade Planning Cooperation (ETPC), Trade Statistical Analysis (TSA) and Service Trade Promotion (or Trade in Services – TIS).

B. Strategic Economic Dialogue (SED) was established during the visit of Chinese Premier Wen Jiabao to India in December 2010, to discuss macro-economic cooperation. So far 6 SED meetings have taken place with the last one held in Delhi in September 2019. There are 5 Working Groups under SED: Infrastructure, Environment, Energy, High Technology and Policy Coordination. The SED is co-chaired by Vice-Chairman NITI Aayog and Chairman of the Chinese National Development and Reform Commission (NDRC). During the 5th SED both sides agreed to create one more working group on Pharmaceuticals. Accordingly, the first working group on Pharmaceuticals met in Beijing in May 2019.

C. NITI Aayog – Development Research Center of China (DRC) Dialogue was established pursuant to the MoU signed during the visit of Prime Minister NarendraModi to China in May 2015, to discuss global economic cooperation issues. Vice-Chairman NITI Aayog leads the India delegation while President (Minister-level) of DRC of China leads the Chinese delegation. The fifth dialogue was held in Wuhan in November 2019.

D. India-China Financial Dialogue is held in accordance with the MoU signed during Chinese Premier Wen Jiabao's visit to India in April 2005. The Ninth India-China Financial Dialogue was held in New Delhi in September 2019 which was co-chaired by Secretary DEA.

E. Other Institutional Mechanisms: Some of the other institutionalized dialogue mechanisms between the two countries include the JWG on Collaboration in Skill Development and Vocational Education, Joint Working Group on Information and Communication Technology & High-Technology, Joint Working Group on Industrial Park Cooperation, India-China Joint Working Group on Agriculture, India-China Joint Working Group on Cooperation in Energy (under the process of constitution).

Banking Sector Cooperation

Indian Banks in China: Many Indian banks have established their presence in mainland China in the last few years. At present, the State Bank of India is the only Indian bank having the authorization to conduct local currency (RMB) business at its branch in Shanghai, while the branches of other banks conduct business in foreign currency. However, except SBI, ICICI and Axis Bank in Shanghai, all other bank branches and representative offices are in the process of closure for commercial reasons.

Chinese Banks in India: In early 2011, the Industrial and Commercial Bank of China (ICBC) secured a license to start banking operations in India. ICBC inaugurated its Mumbai branch on September 15, 2011. This marked the opening of the first branch of a mainland Chinese bank in India. In July 2018 Bank of China (BoC) received the banking license from RBI. Recently, ICBC has applied for its second branch in New Delhi, which is under consideration with the Department of Financial Services.

Multilateral Development Banks

Asian Infrastructure Investment Bank (AIIB) is headquartered in Beijing and India became its founding member by signing the Agreement of Association (AoA) along with 57 other prospective founding member countries on 29th June 2015. India is one of the founding members and is the second-largest shareholder with approx 8% shareholding and has a single-member constituency in the Board. The bank conducts its business through quarterly BoD meetings and annual AGMs. India hosted the third AGM in Mumbai in June 2018. The fourth annual meeting was held in Luxembourg in July 2019 while the fifth meeting is scheduled to take place in Beijing.

New Development Bank (NDB) is headquartered in Shanghai and Mr. K.V. Kamath is the current President of the NDB. The 2nd Bank of Governors meeting was held in New Delhi in 2017. The fourth Bank of Governors meeting was held in South Africa in April 2019. The initial authorized capital of the Bank is USD100 billion of which USD 50 billion would be subscribed initially by founding members (BRICS) who shall initially have an equal shareholding.

Tourism & Films

China has the world's largest outbound tourism industry. In 2018, more than 140 million outbound tourists traveled to different parts of the world. Tourism to India, however, is still below potential. In 2018, India received around 225,000 Chinese tourists. The renewal of the bilateral MoU on Cooperation in Tourism Sector was completed in May 2015. India Tourism has established an office in Beijing. In 2018, Mr. K.J. Alphons, Minister of State for Tourism visited China in August 2018 and held roadshows in Beijing, Wuhan, Guangzhou and Shanghai. The roadshows were highly attended and generated a lot of interest from Chinese Tour operators. India-China MoU on Audio-visual coproduction was signed during Chinese President Xi Jinping's visit to India in September 2014 and two Indian movies (PK and Dhoom3) were released in 2015. "XuanZang" was the first co-production film between India and China, featuring popular Chinese Huang Xiaoming. This film released in 2016 was submitted as a contender to represent mainland China for Best Foreign Language Film at the 89th Academy Awards in 2017. In 2017, "Kungfu Yoga", featuring Jackie Chan and "Buddies in India" was released. In recent years, Indian movies such as Dangal, Secret Superstar, Bahubali, Hindi Medium, Toilet, Andhadhunetc, registered great success at the Chinese box office.

International Bamboo and Rattan Organization (INBAR)

INBAR is an Intergovernmental body for Bamboo and Rattan Research and Development. INBAR was founded in 1997. It currently has 43 member countries. India became a member in 1998. India is largest country in terms of landmass under Bamboo and Rattan plantation. Its secretariat is located in Beijing. INBAR has its South Asia Center located in Delhi.

Other Economic and Commercial Issues

Cooperation in the Oil and Gas sector- India and China are working on the areas of cooperation in the oil and gas sector to leverage upon the sheer size of the market of two countries. The Petroleum Secretary visited Beijing in October 2018 followed by the visit of Vice Minister of NEA to New Delhi in February 2019. **Double Taxation Avoidance Agreement (DTAA)-** India and China signed the DTAA on 18 July 1994 and the Agreement came

into force on 21 November 1994. Both the countries have agreed to revise the DTAA in its entirety. The revised DTAA has been signed in May 2018. Social Security Agreement – With the steady increase in the number of personnel/professionals that are being employed both in India and China, ensuring social security assumes an important role. In view of the growing importance, both sides held negotiations on the Social Security Agreement from November 13-15, 2019 in New Delhi.

Cooperation in Railway Sector- AMoU on cooperation in the railway sector was signed in September 2014 during the visit of China’s President to India. Subsequently, two action plans were signed in 2014 and 2015. Accordingly, cooperation commenced in areas such as (i) feasibility studies for speed raising, (ii) feasibility studies for high-speed rail, (iii) station redevelopment and (iv) training. 320 Indian railways officers got trained in South West Jiaotong Technical University in Chengdu with the last batch completing its training in August 2019. Other agreements such as the Bilateral Investment Treaty, MOU on Civil services are under negotiations. Indian Companies in China- With the growth in bilateral trade between India and China in the last few years, many Indian companies have started setting up Chinese operations to service both their Indian and MNC clientele in China. Indian enterprises operating in China either as representative offices, Wholly Owned Foreign Enterprises (WOFE) or Joint Ventures with Chinese companies are into manufacturing (pharmaceuticals, refractories, laminated tubes, auto-components, wind energy, etc.), IT and IT-enabled services (including IT education, software solutions, and specific software products), trading, banking and allied activities. While the Indian trading community is primarily confined to major port cities such as Guangzhou and Shenzhen, they are also present in large numbers in places where the Chinese have set up warehouses and wholesale markets such as Yiwu in Zhejiang. Most of the Indian companies have a presence in Shanghai, which is China’s financial center; while a few Indian companies have set up offices in the capital city of Beijing. Some of the prominent Indian companies in China include Dr. Reddy’s Laboratories, AurobindoPharma, Matrix Pharma, NIIT, Bharat Forge, Infosys, TCS, APTECH, Wipro, Mahindra Satyam, Dr. Reddy’s, Essel Packaging, Suzlon Energy, Reliance Industries, SUNDARAM Fasteners, Mahindra & Mahindra, TATA Sons, Binani Cements, etc.

Chinese Companies in India- According to information available with the Embassy of India, more than 100 Chinese companies have established offices/operations in India. Many large Chinese state-owned companies in the field of machinery and infrastructure construction have won projects in India and have opened project offices in India. These include Sinosteel, Shougang International, Baoshan Iron & Steel Ltd, Sany Heavy Industry Ltd, Chongqing Lifan Industry Ltd, China Dongfang International, Sino Hydro Corporation, etc. Many Chinese electronic, IT and hardware manufacturing companies are also having operations in India. These include Huawei Technologies, ZTE, TCL, Haier etc. A large number of Chinese companies are involved in EPC projects in the Power Sector. These include Shanghai Electric, Harbin Electric, Dongfang Electric, Shenyang Electric etc.

In recent years, Chinese mobile companies have achieved remarkable growth in India. Xiaomi, became largest mobile handset selling company in India. Today, Chinese mobile handset companies Xiaomi, Vivo and Oppo, Realme occupy nearly 50% of Indian mobile handset market.

List of Institutional Dialogues and Important Meetings held in 2019		
S.No.	Meetings/Dialogues	Date/Period
1	2nd Meeting of Joint Working Group on Skill Development	22 February 2019, New Delhi
2	1st Meeting of Working Group on Pharmaceuticals	7 May 2019, Beijing
3	6th SED	7-9 September 2019, New Delhi
4	9th Financial Dialogue	25 September 2019, New Delhi
5	4th Meeting of JWG on Trade in Services	18 November 2019, New Delhi
6	5th NITI Aayog-DRC Dialogue	28-29 November 2019, Wuhan

India and the SILK ROAD, Belt and Road Initiative

Subhakanta Behera 2002

Wei Wei 2014 (The writer is Chinese Ambassador to India)

More than 1,600 years ago, a 65-year old Chinese monk named Fa Xian (Fa-Hien) made his maiden pilgrimage to India to look for Buddhist scriptures. The route along which he travelled was later called the Silk Road, and the route he chose to go back to China via the Indian Ocean was named the Maritime Silk Road. The Silk Road embodies the spirit of peace, cooperation, openness, inclusiveness, mutual learning and hard work. President Xi Jinping of China brings the spirit of the ancient Silk Road up to date by calling for the joint development of an economic belt along the Silk Road and a Maritime Silk Road of the 21st century. These two initiatives of overland and maritime Silk Roads aim to seize the opportunity of further opening up of China, especially its western side, and to work with neighboring countries to speed up the development of Asia.

The “Belt” and “Road” initiatives are inclusive because the ..they are a banner of unity among nations and a commitment to cooperation. They will contribute to greater connectivity and complementarity among east Asia, central Asia, south Asia, southeast Asia and west Asia, and help to develop and improve our supply chain, industrial chain and value chain. It will, thus, bring pan-Asian and Eurasian regional cooperation to a new level. Second, the initiatives help to boost infrastructure development and structural innovation, to improve business environment of the region, to facilitate an orderly and unimpeded flow of production factors and their efficient distribution, to accelerate development of landlocked countries and the remote areas, to lower costs and barriers of trade and investment, and to drive greater reform and opening up by regional countries. Third, the initiatives help to strengthen exchanges among people of different nations, regions, classes and religions, to explore the potential of the “soft” aspect of exchanges and cooperation, and to consolidate the foundation of friendship among people and contribute positively to peace and development in Asia.

Prime Minister Manmohan Singh responded positively to State Councilor Yang Jiechi of China when the latter invited India to take an active role in the process during his visit to India this February. Some of the existing projects of cooperation between our two countries, like the Bangladesh-China-India-Myanmar Economic Corridor and Chinese industrial parks in India, can be included in the cooperation.

India’s Look East policy as well as the BIMSTEC Cooperation can also be integrated with the Belt and the Road initiatives. There need to be five links in the chain. The first is policy. We should strengthen policy coordination by making use of bilateral mechanisms such as China-India Strategic Economic Dialogue to increase the convergence of our strategy of development. The second link is roads. We should explore the possibility of improving cross-border transportation infrastructure in the border areas without dispute to work for a transport network linking China and India, as well as linking east and south Asia.

The third link is trade and investment. China is ready to expand its investment in India and reduce our trade imbalance. We should push forward our consultations to result in the China-India regional trade agreement in due time. Meanwhile, efforts should be made to remove trade and investment barriers, to improve circulation and quality of the regional economy and make the regional cooperation “cake” even bigger. The fourth “link” is currency. We can work for financial settlement in Chinese yuan and Indian rupee, encourage currency swap, strengthen banking cooperation and set up regional financial institutions for development to bring down transaction costs and enhance regional arrangement to fend off financial risks.

The fifth link is people. Besides existing people-to-people exchange mechanisms, we should continue to enhance exchanges, especially at the grassroots level, establish more sister cities and provide more facilities for people-to-people exchanges to promote friendship between China and India. In the backdrop of further globalisation, we need to follow our ancestors’ footsteps along the ancient Silk Road. For the benefit of our region, let us work together for common prosperity.

The main aim of China’s One Belt, One Road initiative is to develop its landlocked western provinces and enable them to access the markets of Southeast Asia and the Middle East, thus shaping China’s regional periphery by exercising economic, cultural and political influence. India was cordially invited to be a part of the new MSR but so far, its response has been lukewarm. India’s reticence has mainly been due to uncertainty about how the MSR will be implemented, along with concerns as to whether it will have a geo-economics rationale or a security orientation. The MSR will extend from Quanzhou in China’s Fujian province, heading south to Malacca Strait. From Kuala Lumpur it will head to Kolkata before crossing the northern Indian Ocean to Nairobi.

In China’s view, the MSR will increase maritime connectivity and cooperation on disaster mitigation and the development of fisheries between the Indo-Pacific, East Africa and the Mediterranean. In India, there are diverse views about the initiative. Some are in favor of India becoming an active partner while others are cautious of the covert military side of the MSR. Many view the MSR as part of a Chinese attempt to reorder Asia and undermine US influence in the region. Another explanation is that the US ‘pivot’ to Asia — which focuses

on concentrating additional forces and equipment in the Asia Pacific, along with establishing the Trans-Pacific Partnership (TPP) — is part of a strategy to contain China by the US and its allies in Asia.

China has a tradition of using a checkbook policy against India in South Asia. Under this latest initiative, China is developing ports in Bangladesh, Sri Lanka and Pakistan, and is trying to enlarge its sphere of influence using its economic might in the Bay of Bengal and Arabian Sea. Thus the MSR may be nothing but an economic disguise for the ‘string of pearls’ theory, which concerns the build-up of Chinese commercial and military facilities, and relationships in the India Ocean.

China is investing huge amounts of money in India’s immediate neighbors. These South Asian countries tend to play on this mistrust in order to further their development and economic agendas. More South and Southeast Asian economies coming under China’s sphere of influence would mean a serious setback to India’s traditional conception of the subcontinent as its privileged sphere of influence. China’s One Belt, One Road initiative — of which the Maritime Silk Road initiative is one part has an economic and strategic rationale. For more than 35 years, China’s economic development and progress has been mostly concentrated in its eastern, coastal provinces. The initiative seeks to address this while also establishing China as not only an Asia Pacific power but also a global power. Through the continental project, the Silk Road Economic Belt, China is planning to boost development in the economies of its western provinces and administrative regions. The launch of the project will provide new export markets for Chinese goods and capital. Through this initiative, China will find new markets for exports in central Asia and East Africa where many of the countries have huge domestic demand due to burgeoning middle classes.

In the above backdrop, India is located at such a prime position that it can’t miss out on the opportunity to be part of MSR. Both the maritime and continental Silk Roads are going to traverse India’s periphery. India could gain a lot from being an active partner to the initiative. India has expressed its desire to attract Chinese investments and being part of the MSR will certainly help with that. It would also help India to develop its northeast and further its Act East Policy of prioritizing relations with East Asia. And it could prove to be a perfect platform to enhance India’s regional and bilateral cooperation. Indian investment in neighboring littoral countries could help in reducing China’s sphere of influence and dominance in South Asia to some extent.

More than anything, if India refuses to be part of the Silk Road and the rest of the South Asian and ASEAN countries decide to join then India may become isolated. In this situation, it would be best for India to accept the invitation to join the MSR while availing itself every opportunity to join the US-led TPP.

Diplomatic Exchange

Political Relations

On 1 April, 1950, India became the first non-socialist bloc country to establish diplomatic relations with the People’s Republic of China. Prime Minister Nehru visited China in October 1954. While, the India-China border conflict in 1962 was a serious setback to ties, Prime Minister Rajiv Gandhi’s landmark visit in 1988 began a phase of improvement in bilateral relations. In 1993, the signing of an Agreement on the Maintenance of Peace and Tranquility along the Line of Actual Control (LAC) on the India-China Border Areas during Prime Minister Narasimha Rao’s visit reflected the growing stability and substance in bilateral ties. (Govt. of India, Ministry of External Affairs).

Visits of Heads of States and Heads of Governments

Cumulative outcomes of the recent high-level visits have been transformational for counties. During Prime Minister Atal Bihari Vajpayee’s visit in 2003, India and China signed a Declaration on Principles for Relations and Comprehensive Cooperation and also mutually decided to appoint Special Representatives (SRs) to explore the framework of a boundary settlement from the political perspective. During the April 2005 visit of Premier Wen Jiabao, the two sides established a Strategic and Cooperative Partnership for Peace and Prosperity, while the signing of an agreement on Political Parameters and Guiding Principles, signaled the successful conclusion of the first phase of SR Talks. During the State Visit of Chinese President Mr. Xi Jinping to India from 17 to 19 September 2014, a total of 16 agreements were signed in various sectors including, commerce & trade, railways, space -cooperation, pharmaceuticals, audio-visual coproduction, culture, establishment of industrial parks, sister-city arrangements etc. The two sides also signed a MoU to open an additional route for Kailash Mansarovar Yatra through Nathu La. The Chinese side agreed to establish two Chinese Industrial Parks in India and expressed their intention to enhance Chinese investment in India.

Prime Minister Narendra Modi visited China from May 14-16, 2015. Besides meeting with the Chinese leadership, Prime Minister Modi and Premier Li also addressed the opening session of the First State/Provincial Leaders’ Forum in Beijing. There were 24 agreements signed on the government -to-government side, 26 MoUs on the business-to-business side and two joint statements, including one on climate change. Prime Minister also announced the extension of the e-visa facility to Chinese nationals wishing to travel to India. The momentum of meetings at the leadership level continued in 2016 too.

President Pranab Mukherjee made a state visit to China from May 24 to 27, 2016. He visited Guangdong and Beijing where he met with the Chinese leadership. President also delivered a keynote address at the Peking University and attended a Round Table between Vice Chancellors and Heads of institutions of higher learning of the two countries. Ten MoUs providing for enhanced faculty and student exchanges as well as collaboration in research and innovation were concluded between the higher education institutions of the two countries. Prime Minister Narendra Modi visited China in September 2016 to participate in the G20 Summit in Hangzhou and September 2017 to participate in the BRICS Summit in Xiamen, where he also held bilateral talks with President Xi Jinping. President Xi Jinping visited India in October 2016 to participate in the BRICS Summit in Goa. The two leaders also met along the sidelines of the SCO Heads of States Summit in Tashkent in June 2016 and in Astana in June 2017.

Other high level visits and mechanisms:

India and China have established more than thirty dialogue mechanisms at various levels, covering bilateral political, economic, consular issues as well as dialogues on international and regional issues. The Foreign Ministers have been meeting regularly. Chinese Foreign Minister Wang Yi travelled to India from 12-14 August, 2016 during which he met with EAM and called on Prime Minister. The mechanism of Special Representatives on the Boundary Question was established in 2003. The 19th round of talks between Shri Ajit Doval, National Security Advisor and Mr. Yang Jiechi, State Councillor was held in Beijing in April, 2016. State Councillor Yang Jiechi also visited India in November 2016 where he met with NSA for informal strategic consultations. The 1st reconstituted Strategic Dialogue between Foreign Secretary, Mr. S Jaishankar and the Chinese Executive Vice Foreign Minister Mr. Zhang Yesui was held in February 2017.

India and China have also established a High Level Dialogue Mechanism on Counter Terrorism and Security, led by R.N. Ravi, Chairman (JIC) and Wang Yongqing, Secretary General of the Central Political and Legal Affairs Commission of China. The first meeting of the mechanism was held in Beijing in September 2016. To facilitate high level exchanges of Party leaders from China and State Chief Ministers from India, a special arrangement has been entered into by the International Liaison Department of the Central Committee of the Communist Party of China and the Ministry of External Affairs (MEA-IDCPC) since 2004. There are regular Party-to-Party exchanges between the Communist Party of China and political parties in India. In order to facilitate exchanges between Indian states and Chinese provinces, the two sides have also established a States/Provincial Leaders Forum. (Govt. of India, Ministry of External Affairs).

II. Conclusion

The border is continuing to be a pressing issue between India and China. While border dispute remains to be the major cause of conflict other issues of divergence includes, issue of sheltering Dalai Lama, the Buddhist leader, India's interest in the South China Sea. There has been cooperation on several fronts like education, cultural exchange, educational exchange, climate change, trade and commerce. While bilateral transaction takes place between the two countries the border issue continues to be a major challenge to their mutual trust and co-operation. However, the degree of escalation at the border has found some stability in the bilateral relation.

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