India – China Relation

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1 Introduction

- 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.
- India-China relations, though occasionally showing signs of peace and cooperation, have often been afflicted by tension and mistrust. With the potential to make big contributions to regional peace and development, these two Asian powers have, by design or accident, themselves been the sources of regional tension and insecurity to some extent. Besides their internal dynamics, the interplay of interests and moves of their neighbours, and several external powers would have significant bearing on the equation and relations between them.

2 PM Modi’s visit to China in 2015

- The visit was rich in symbolism and substance and it opened up a new chapter in India-China relations. For the first time, Chinese President Xi Jinping travelled outside Beijing to receive a foreign leader, in Xi’an in his home province of Shaanxi.
- President Xi also accompanied Prime Minister to the Big Wild Goose Pagoda and organized a grand welcome ceremony at the Xi’an city wall.
- 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. The fact that India and China could come up with over 50 outcome documents in just eight months reveals the huge potential that exists between our two countries, as well as the efforts that we have made to elevate our partnership.
- They included such diverse fields as space cooperation, earthquake engineering, ocean sciences, mining, railways, skill development, education, culture, Yoga, tourism and many more.
- Prime Minister interacted with 21 CEOs of leading Chinese companies and over 40 prominent Indian CEOs attended the Business Forum along with their counterparts from China. The 26 business understandings worth over US$ 22 billion signed at the Forum covered such varied sectors as industrial parks, renewable energy, thermal energy, telecommunication, steel, capital goods, IT and media.
- There was, moreover, an action-oriented accord on broad-basing the bilateral partnership, as could be seen from the range of agreements signed and in the establishment of new dialogue mechanisms, such as the one between the DRC and the NITI Aayog and the Think Tanks’ Forum, besides a bilateral consultative mechanism on WTO negotiations.
- Three new institutions were launched in partnership, the Centre for Gandhian and Indian Studies in Shanghai, Yoga College in Kunming, and National Institute for Skill Development and Entrepreneurship in Ahmedabad.
- Both sides decided to establish new Consulates in each other’s country, in Chengdu and Chennai and to expand our interactions at the sub-national level.
- Two agreements signed-one on cooperation between the Indian Ministry of External Affairs and the International Department of the Central Committee of the CPC and another on the establishment of a State/Provincial Leaders’ Forum-reflect this understanding.
- A number of sister-city and sister-state relations agreements between: Karnataka and Sichuan, Chennai and Chongqing, Hyderabad and Qingdao, Aurangabad and Dunhuang were also signed.
- Prime Minister also announced the extension of the e-visa facility to Chinese nationals wishing to travel to India.
3 Areas of Conflict

1. The biggest problem is of Tibet & Dalai Lama.
   - This led to the first ever war between these two nations. China is very sensitive about the territorial sovereignty and having Dalai Lama run a shadow government in India has historically been a major irritator for them.
   - India’s support for the Dharamasala regime is a huge issue for China, but not even headline-worthy for India.

2. Two border disputes
   - One in a region called Aksai Chin and another in a region called Arunachal Pradesh. Both nations claim both regions although China controls the former and India the latter. In both these places the geography favors the current arrangement. With both nations nuclear armed, it is inconceivable for any solution other than formalizing the status quo.
   - When Prime Minister Narendra Modi visited China in May 2015, one of his objectives was to persuade the Chinese leadership to restart discussions on the clarification of the Line of Actual Control (LAC) through the exchange of maps.
   - The rationale for India’s demand was that, pending a final settlement of the border question, LAC clarification would help ease border tensions. But the Chinese leadership was not enthusiastic about India’s proposal. Instead, China called for a comprehensive ‘code of conduct’ for the forces deployed along the border. Here, it is useful to remember that both LAC clarification and Confidence Building Measures (CBMs) are part of the agreed principles in the 2005 agreement.
   - This mismatch in desired outcomes was the main obstacle in the recent border talks, and it showed once again India and China’s contrasting approaches to border negotiations at large.
   - India’s reluctance to consider a ‘code of conduct’ suggests that it entertains reservations about agreeing to restrictions on its plans for infrastructure development in the border region.
   - Perhaps, this reluctance is because of two inferences. One, that the Chinese proposal is aimed at limiting India’s military and infrastructure modernisation, and thereby enabling China to preserve its military advantage in Tibet. And two, accepting the Chinese proposal could potentially curtail the ability to effectively patrol and intercept PLA movements in territory claimed by India.
   - The Indian position on the Sino-Pakistan understanding on Chinese activities in PoK has been consistent. There are often debates in India—mostly episodic and lacking vigour—about Sino-Pakistan relations.

3. Domination of Indian Ocean
   - China has been accused of pursuing strategic maneuvers on a well-thought out route encircling India in the Indian Ocean.
   - Beijing has been reaching out to India’s neighbors on the premise of development and trade, allegedly recreating the Silk Route. From Nepal in the south east to Myanmar, Bangladesh to Sri Lanka in the south and Pakistan in the west, China plans to choke India diplomatically.
   - There are diplomatic visits, courtesy calls, exchange of gifts and promises between Mr. Modi and the heads of all of the surrounding countries, to not just counter the Chinese influence but also strengthen the Indian presence.

4. Water issue:
   - The dispute between India and China is mainly regarding the Brahmaputra River flowing through the two countries.
• The search for water resources in China and India has persistently been a source of tension between the two countries.
• Chinese efforts to divert the water resources of the Brahmaputra River away from India will worsen a situation that has remained tense since the 1962 Indo-China war.
• The melting glaciers in the Himalayas as a result of accelerating global climate change will have a dramatic effect on this river’s water supply. This will increase water scarcity as well as the likelihood of floods, impact agrarian livelihoods and strain the fragile equilibrium between the two Asian giants.

5. Pakistan factor:
• The longtime friendship between China and Pakistan, rooted in a time when both countries were deeply mistrustful of India, has long made New Delhi nervous.
• The relationship has mainly gone one way, with China providing economic assistance and political backing to Pakistan.
• Islamabad is also anxious for an alliance it can use to balance the growing economic and political clout of India.
• But Pakistan also offers China a gateway to South Asia, Iran and the Arabian Sea, one of the economic beltways that President Xi Jinping has sought to build through the region. Earlier this year, during a visit to Islamabad, Chinese Foreign Minister Wang Yi said China and Pakistan have an "all-weather friendship."

6. South China Sea issue and India:
• China opposes India’s oil exploration in the SCS (which has been undertaken at Vietnam’s request) by calling the area of exploration a ‘disputed’ area and asserting ‘Chinese sovereignty’ over the SCS in the ‘historical’ context.
• It has been continuously expressing its reservation in this regard in the last few years, and sometimes quite belligerently at that. India has taken note of the Chinese reservation and has carefully gone ahead in signing a few agreements with Vietnam for oil exploration in the SCS. These exploration fields are very much within the maritime space under the actual control of Vietnam.
• But at the same time, China casually shrugs off the issue of India’s ‘sovereignty’ over POK in the ‘historical’ context. China is currently engaged on a variety of investment projects and infrastructural building activities in Gilgit-Baltistan, and these will be expanded under the CPEC project.
• China further explains that the Sino-Pak understanding to implement CPEC through POK is based on a range of bilateral agreements and understandings, including their 1963 Border Agreement.

7. Maritime Silk Route project: Impact on India:
• Beijing’s plan for a maritime infrastructure corridor in the broader Indo-Pacific region, first proposed by President Xi Jinping’s during his trip to Southeast Asia in October 2013, has attracted attention because of its potential to establish a Chinese foothold in the Indian Ocean. Needless to say, China’s outreach to India - inviting it to join the project - has generated much analytical curiosity.
• The first thing of interest about the MSR is that it was initially mooted as an ASEAN-centered project. The intention then was to enhance connectivity and cultural links in China’s strategic backyard-the South China Sea.
• Beijing later expanded the scope of the project to include the Indian Ocean, but in reaching out to Colombo and New Delhi, it found a willing partner only in the former. India has been ambivalent about the MSR and is yet to make up its mind on joining the project.
• The problem with the MSR, essentially, is the ‘opaque’ nature of its proposal. Outwardly, the project is about the development of massive maritime infrastructure and connectivity in the Indian Ocean and the Western Pacific. Beijing has been careful to project the MSR as an exclusively commercial venture, trying hard to dispel any impressions of it being a cover for maritime military bases. Surprisingly, however, China has released no details about the project, and this makes many countries doubt Beijing’s strategic intentions.
The lack of specifics not only makes it hard to decipher the MSR’s real purpose, it gives credence to suspicions of geopolitical game play by China. Indeed, for a project being touted as a critical enabler of regional sea-connectivity, Chinese planners would have spent much time and effort developing the fine-print. The lack of firm plans, proposals and timelines then does lead to a suspicion that there may be something about the MSR that Beijing is hesitant to reveal quickly.

The MSR’s essential rationale is the leveraging of Chinese soft-power. The aim apparently is to shore-up China’s image as a benevolent state. Beijing’s would also conceivably use the project’s commercial investments to establish its legitimate interests in the Indian Ocean. And while China can be expected to do everything in its power to force region states to join the project - including offering economic aid to potential partners - the bottom-line for it will be to make an offer to India that is hard to refuse.

For India, it is instructive that the sales pitch of shared economic gains does not conceal the MSR’s real purpose: ensuring the security of sea lines of communications (SLOCs) in the Indian and Pacific oceans. Since African resources are China’s focus right now, the project could well be a surrogate for a giant Chinese SLOC running all the way from the East African coast, to the Southern coast of China – created, maintained and controlled by Beijing. In its ultimate form, therefore, the MSR could end up setting up Chinese logistical hubs in the Indian Ocean, linking up already existing string of pearls.

India’s appreciation of the MSR must be based on an objective appraisal of these new realities. Even assuming the project delivers on its economic promise, it could well turn out to be detrimental to India’s geopolitical interests in the IOR.

As Beijing becomes more involved in building infrastructure in the Indian Ocean, it will play a larger part in the security and governance of the IOR, which could pose a challenge to India’s stature as a ‘security provider’ in the region and also adversely affecting New Delhi’s strategic purchase in its primary area of interest.

4 Areas of Cooperation

Despite their rivalries, the two countries have played up their cultural links—such as the importation of Buddhism into China by wandering Chinese monks more than 1,500 years ago—and have found ample room for economic cooperation.

Both are members of the BRICS grouping of emerging economies, which is now establishing a formal lending arm, the New Development Bank, to be based in China’s financial hub of Shanghai and to be headed by a senior Indian banker.

India also was a founding member of the China-backed Asian Infrastructure Investment Bank, which plans to be formally established by year’s end and seeks to emulate institutions such as the World Bank and International Monetary Fund.

Educational areas: 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).
Trade cooperation:

- Two countries have shown tremendous economic growth. Change in the dynamics of the global economy has provided the opportunity to both countries to cooperate on a wider scale.
- China and India are major trading partners in the region. During the last decade, bilateral trade has increased notably. In 2014, the trade between China and India exceeded over $65 billion mark. According to the Trade Map figures, in 2013, China accounted for 11.1 percent of India’s imports, while 4.1 percent of India exports were destined for China. Chinese exports to India are mainly comprised of electric and electronic equipment, organic chemical, fertilizers and furniture. On the other side, China’s imports from India chiefly consist of cotton, pearls, precious stones, copper ores, slag and ash.
- Bilateral trade has expanded substantially in recent years. Nevertheless, the balance of trade still remains in China’s favor. Following table summarizes the latest trends in trade between China and India.

<table>
<thead>
<tr>
<th>Year</th>
<th>China’s exports to India</th>
<th>China’s imports from India</th>
<th>Total trade</th>
<th>Trade balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>30.82</td>
<td>11.61</td>
<td>42.43</td>
<td>+ 19.21</td>
</tr>
<tr>
<td>2011</td>
<td>43.47</td>
<td>15.48</td>
<td>58.95</td>
<td>+ 27.99</td>
</tr>
<tr>
<td>2012</td>
<td>55.31</td>
<td>18.07</td>
<td>73.38</td>
<td>+ 41.67</td>
</tr>
<tr>
<td>2013</td>
<td>52.51</td>
<td>13.53</td>
<td>65.77</td>
<td>+ 38.98</td>
</tr>
<tr>
<td>2014</td>
<td>51.04</td>
<td>14.82</td>
<td>65.86</td>
<td>+ 36.22</td>
</tr>
</tbody>
</table>

Source: China India Trade and Investment Center

- Though, compared to the past, the economic cooperation between the two countries has accelerated. However, there are still enormous opportunities that have not been exploited in such fields as manufacturing, construction, electricity, gas and water industries, infrastructure (such as, roads, buildings, transportation, storage and communication), hotels and tourism, financial institutions, agriculture, healthcare, education and the various training sectors.
- China and India have synergies in many areas. China has wide experience and expertise in the field of construction industry. Due to its international recognition, Chinese firms have been successful in creating infrastructure base for many countries. India could utilize Chinese expertise in the development of its high-speed railway network, metro lines and other infrastructure facilities.
- While the sides are seeking to expand bilateral trade to $100 billion this year, China exports far more than it imports, something Indian Prime Minister Narendra Modi hopes to alter with increased market access for Indian goods and services.

5 Areas of Competition

Competition in Africa:

- The rapid economic growth experienced by China and India has resulted in an increase in competition for global resources and investment opportunities. Unsurprisingly, the abundance of natural resources in Africa has made the continent a hotspot for Chinese and Indian economic activity.
- This growing Sino-Indian involvement has been economically beneficial and has resulted in widespread investment and development, with African leaders welcoming the competition.
- Africa is now the latest front in an increasingly global competition between India and China for new markets, agricultural land and access to natural resources.
- While Western media and politicians have reacted with varying degrees of alarm over the surge of Chinese trade and investment in Africa, Indian companies have been quietly building their presence on the continent.
- As China drives deeper into what many Indians consider their sphere of influence in South Asia, Africa offers an ideal opportunity for Indian firms to challenge China’s growing influence in the region.
For many Indians, particularly in certain political circles and on the blogosphere, competition with China is presented in a classical real politik paradigm.

The headlines misleadingly frame the issue in terms of win/loss or even as a “race” between the two countries. Although it may be compelling, even somewhat entertaining, to draw on 19th century colonial clichés (e.g. the Scramble for Africa or the Great Game) it is entirely misleading as both the Indians and Chinese are employing radically different strategies in Africa than earlier European powers.

Ironically, the enhanced competition among Chinese and Indian companies will most directly affect European and American firms who are rapidly being shut out of Africa’s emerging markets.

While China’s aggressive economic approach has caused it to achieve more influence in Africa than any other country, its dominance is slowly being impeded by India’s growing involvement in the region. India has focussed on emphasising its cultural and historical ties to enhance the development of its trade relations with resource-rich countries like Zimbabwe, Ethiopia and Sudan.

The success of India’s soft power strategy has been evident in countries like Sudan, where Indian corporations have attained near complete control of the local oil and natural gas industry.

The same trend is occurring in Zimbabwe where China’s dominance in the energy and resource sectors is being challenged by private and state-owned Indian enterprises.

The US$ 4 billion takeover of Zimbabwean steelmaker Zicosteel, by India’s Essar Group, was hailed by the Zimbabwean Government as the largest foreign direct investment deal in Zimbabwe in recent decades.

Competition for the takeover was intense, as various Chinese corporations challenged the Essar Group’s bid.

The incident has been viewed by some as a reflection of the intense rivalry developing between China and India, and while China continues to dominate African markets, the success of India’s economic strategies has raised uncertainty towards China’s future economic dominance in the region.

**Competition in foreign policy**

- China and India are still strategic rivals despite their increased economic cooperation.
- Alongside the U.S., Japan, and Australia, India is also seen as one of the major actors that have an interest in offsetting China’s dominance over Asia.
- That India and China came to be known as fellow members of the BRICS does not suffice by itself to reverse the two giants’ inherent tendency towards taking sides with rival groupings which are once again beginning to overwhelm Asia’s strategic environment.
- Moreover, New Delhi set its permanent membership on the United Nations Security Council (UNSC) as a primary national goal in the name of being recognized as a great power on a global scale. In contrast, China pioneers the opposition bloc which stands firmly against any attempts to reform the UNSC because such would mean including not only India but Japan and several other countries in the Council as well.
- The two countries’ strategic interests in South Asia are also mutually exclusive.
- China maintains intimate ties with Pakistan, with high-level defense cooperation at the core thereof, a reality that deeply disturbs India as might be expected.
- On the other hand, Beijing feels extremely uncomfortable with India’s hosting of the Tibetan opposition. China even fears that India might still be supportive of Tibet’s independence.
- Likewise, there is a heated rivalry between Beijing and New Delhi for influence over Bangladesh, Myanmar, Sri Lanka, and Nepal.
- New Delhi shapes its foreign policy in tandem with the West, backing Myanmar’s opening to the rest of the world as well as its related democratization project.
- However, Beijing believes one of the essential motivations behind such a policy is to detach Myanmar from China’s larger zone of influence.
6 Conclusion

- It seems that while an urge for closer cooperation motivates enhanced economic affairs between New Delhi and Beijing, competition is still what marks their bilateral diplomatic relations.
- The diplomatic rivalry in question is not limited to strategic concerns, but is further fueled by a chronic border dispute.
- On the other hand, neither Beijing nor New Delhi can afford to turn a blind eye to the huge benefits that intense economic cooperation can potentially bring about.
- Therefore both countries are trying to capitalize on **mutual economic benefits** while working hard to contain political frictions within manageable limits.