CHAPTER VII

Contemporary Issues Influencing

Sino-Indian Trade Relations
The growth in bilateral trade has not been without its accompanying issues and problems. There are large number of international agencies which have created a mechanism to thrash out these issues like United Nations, World trade Organisation, United Nation’s Commission for Trade and Development. Etc. These various agencies have to an extent succeeded in sorting out some issues in International Trade but the specific problems between two countries are yet to be resolved in number of cases. Therefore need of the hour is to study the country to country specific issues and only then some way out could be worked out.

The Sino-Indian relations have noticed number of upheavals in the last six decades. The period from 1947, when India became independent, to 1964, when Jawaharlal Nehru died is marked in modern Indian history as the ‘Nehru era’. Nehru’s era was a crucial period in the history of Sino-Indian relations, during which Sino-Indian relation underwent a tortuous course marked with dramatic ups and downs. Chinese scholars usually divide this tortuous course into two main stages: Friendship stage (1947 to 58) and hostility stage (1959-64). The friendship divided into initiation phase (1947-53) and honeymoon phase (1954-58).

The initiation phase witnessed the beginning of friendship between India and China over several major historic events and issues.1

7.1 ESTABLISHMENT OF DIPLOMATIC RELATIONS

In August 1947, India was freed of the colonial rule of Britain and attained its independence. Nehru became the first prime minister and foreign minister of independent India. Two years later, in October 1949, the People’s Republic of China (PRC) was proclaimed, with Mal Zedong (Mao TSe-tung) as the Chairman and Zhou Enlai (Chanen – lai) as the Prime minister and foreign minister. Nehru took a positive
and friendly attitude to the founding of PRC and made efforts to make India one of the first countries to recognize and establish diplomatic relation with new china. On 30 December 1949, India formally declared severance of all its relations with the Guominang (Kuominatang) government and accorded recognition to the new registration of the People's Republic of China. On 1 April 1950, India and china established formal diplomatic relations. India became the second non socialist country to establish diplomatic relations with it. The recognition of china by India and the establishment of diplomatic relations between the two opened a new page of Sino-Indian friendship in Nehru's era.²

7.1.1 Admission of PRC to the United Nations

After the founding of the People's Republic of China, the new government requested UN to remove the representation of the Guomindaug government in Taiwan from the UN immediately and admit PRC in its place. Since then, India had consistently supported the admission of the PRC into the UN. In the Indian parliament, year after year, Nehru reaffirmed his Government's stand that the seat of China, a founder member of the UN and a permanent member of the Security Council, should legitimately go to the PRC, as Taiwan constituted only a small territory of china. In the Indian parliament, there was a general consensus among all parties in favour of the Government's policy, as being the logical extension of its recognition of the PRC.³ Meanwhile, Nehru and the Indian government took the opportunity to make the same voice heard in the UN in January 1950; the Security Council debated and voted a soviet resolution that asked Security Council members to not recognize the credentials of the Guomindang representative whose presence on the Security Council was illegal. India was among the three nations who voted in favour of the resolution in July 1950. The secretary general of the Indian Ministry of external affairs and UN representative informed the US state department that the Indian government was of the opinion that
it was important for world peace that the PRC sit on the Security Council and was therefore trying to persuade other members to vote for the immediate admission of the PRC. In September 1950, at the Geneva assembly, the Indian delegate circulated a draft resolution calling for the seating of the PRC representative. Because of the pressures and obstacles from the US, all the resolutions and plans to accord admission to the PRC were rejected. But the Indian government consistently struck to its stand and continued to make efforts to get China reached in the UN. During the Korean crisis (1950-53), Nehru and the Indian government took a stand and lent support to the PRC, which strengthened Sino-Indian friendship. From the very beginning, India tried to use whatever influence it had to solve the Korean crisis in cooperation with China. When the Korean War broke out in June 1950, although India had endorsed the UN resolution condemning the North Korean aggression on South Korea and had also supported the UN interconnection, it also expressed an earnest hope for a negotiated settlement of the crisis, for which, according to India, China’s representation in the UN was necessary. In his appeal as Scalin and Acheson, and also in his speeches to the Indian parliament, Nehru categorically expressed the view that China’s entry into the UN must be connective to the permanent solution of the crisis. When the UN passed the resolution the favour of crossing the 38th parallel, India opposed it and warned the US that any advance across the parallel dividing North Korea might lead to China’s may into the war. When the forces in fact did cross the parallel and marched on to the Yalu river border of China, India condemned it. When PRC actually intervened in the Korean War in opposition to the UN forces and drove then back, India opposed the UN resolution branding China as an ‘aggressor’. Speaking in the Indian parliament, Nehru called the resolution unwise in the context of ongoing efforts for a negotiated amendment. India also refused to participate in the UN General Assembly vote imposing arms embargo on China and the North Korea. When the Korean War ended in 1953, at the insistence of
china, India was made the chairman of the Neutral Nations Repatriation commission. India's supports to china, and her role as a mediator in the Korean crisis was generally welcomed and appreciated.

7.1.2 Friendly Associations

Despite some early dissension and controversy over certain issues, (such as the legacies of the British rule and conquest, India's foreign policy of non-alignment etc ) Sino-Indian relations continued to progress in a cordial manner and culminated in friendly exchanges. On 1 January 1951, the first rice-jute barter agreement was signed between India and china by which the latter agreed to supply 50,000 tons of rice to the former, who in turn would supply 16,500 packs of jute. Beginning with this trade contract, an extensive friendly relationship Associations were set up in both countries and many cultural and other good will delegations were exchanged. The latter included the visit of china sports delegation to India in March 1951 the first unofficial Indian good-will maintain to china in September 1951: the first Chinese cultural mission to India about two months later; the first official Indian cultural delegation to Beijing in April-June 1952. Chinese movie delegation to Indian in December 1952; the establishment of the Sino-China friendship Association in Beijing in May 1952; a delegation to China in July-August 1953; the Indian labour association delegation and all India trade union delegation to china in 1953: the signing of an agreement between Indian and china on 22 may 1951 by which china agreed to give 100000 metric ton of rice to India. Three more barter contracts were also signed. Through six barter contracts, china, though lacking sufficient food, supplied 666,500 tons of grains to India- the latter badly in need of food because of a serious famine. Indian newspapers acclaimed China's supply of grain to be a manifestation of great friendship and spiritual nutrition.
The honeymoon phase (1954-58) witnessed high points of Sino-Indian friendship in Nehru's era over many national, regional and international issues.

### 7.1.3 Signing of Panchsheel Agreement

As early as 1950 when China asserted its authority over Tibet by military action, Nehru, despite the clamour of the press and the politicians in India, avoided a confrontation with China on this issue and accepted China's suzerainty over Tibet April 1954, after negotiation, China and India signed the famous agreement, The Sino-Indian agreement on Trade and Intercourse between the Tibet Region of China and India. Under this agreement, and the notes exchanged between the representatives of the two countries, India agreed to relinquish all her extra-territorial rights. As a result, Chinese Trade agencies were established in New Delhi Kalimpong and Calcutta, while Indian trade agencies were retained in Yatung Gyantse and Gartok. Travel regulations and trade routes for pilgrims and visitors from either country were also laid down. India withdraw within six months its military escorts stationed at Gyantse and Yatung, and handed over to China, on payment of compensation, the post, telegraph and public telephone services as well as the twelve rest houses owned by it in Tibet. The preamble of the agreement gave the world the famous Panchsheel, i.e., five principles of peaceful co-existence, which included: mutual respect for each other's territorial integrity and sovereignty; mutual non-aggression; mutual non-interference in each other's internal affairs; equality and mutual benefit; peaceful co-existence. Panchsheel was a great contribution to the Sino-Indian relations and international relations. Tibet agreement or Panchsheel agreement, a political rather than trade marked the beginning of a new phase in the Sino-Indian relations, i.e. and the Sino-Indian honeymoon.
7.1.4 Asian – African Conference

In April 1955, the first Asian –African conference was held in Bandung, Indonesia. It was another important international conference, following the Geneva conference, in which PRC participated and was marked by the mutual support and cooperation of China and India. India was one of the five sponsors. China owed her participation in the conference to India. It was because of the insistence of Nehru, along with prime minister U Nu of Burma, that China was invited to participate in a conference. During the conference, Nehru introduced Zhou and met and talked to each other very often. Sometimes they even strolled hand in hand on the streets of Bandung in the afternoon siesta and were greeted by the masses. Nehru and Zhou shared similar views on many matters. Nehru was strongly opposed to and got agitated over the statements made by the other delegates that common as neo-colonialism. Zhou Enlai supported Nehru’s idea of putting the five principals of peaceful co-existence in the conference communiqué. Zhou’s speeches and declaration were highly praised by Nehru and Indian newspapers. Finally, under the concerned efforts by Nehru and Zhou another delegations, a final communiqué was pressed including declaration of the ten principles that endorsed Panchsheel. Bandung conference, the first conference sponsored and participated by Asian and African without western presence, was a milestone in promoting friendship and understanding between China and India, as well as in maintaining national independence and was peace.9

7.1.5 Mutual Visit of High Ranking Leaders

During the honeymoon phase, the mutual visits of high ranking leaders of India and China were very frequent and the cheers of ‘Hindi Chini Bhai Bhai’ were heard here and there. Zhou Enlai visited India and stopped by India four times in 1954-1957. During the recess of the Geneva conference, Zhou visited India for the first time, on the
invitation of Nehru, in June 1954, In a short 72 hour visit, Zhou and Nehru joined six times and issued a joint statement. In the joint statement both the prime ministers reaffirmed the five principals describing them as a model of peaceful conference between countries with different social and political systems, and hoped these principals would also be applied to their relations with other countries in the world. They also expressed their confidence in the friendship between India and China which would help the cause of world peace and the peaceful development of the respective countries, as well as other countries in Asia. Zhou visited India for the second time in November 1956. Like his first visit, he was accorded a warm and mutual welcome and reception. During a 13 day visit, Zhou talked with Nehru and visit Delhi, Pune, Bombay, Banglore, Madras, Calcutta, etc. In an address to the members of Indian parliament, Zhou referred to the long unbroken record of Sino-Indian friendship for several thousand years and hoped for continuation of this peaceful relation in future. Zhou visited India again during his stop over's at New Delhi and Calcutta twice in December 1956, and January 1957. Every time he visited India, he was deeply touched by the lavish hospitality accorded to him by the government and people of India, as well as the cheers of ‘Hindi Chini Bhai Bhai’ Who had been received by the PRC, Nehru was accorded an overwhelming welcome whenever he went during his 12-day visit. He talked with Mao Zedong and Zhou many times. Praising Nehru’s efforts in extending peace Zhou maintained that the friendly cooperation of India and China constituted an important factor in safeguarding peace in Asia and the world. Nehru in his reply stressed that the people of China, like the people of India\(^{10}\), were devoted to the cause of peace. Madam sun-lin-sen, vice head of people’s congress and an old friend of Nehru, visited India in December 1955 at the invitation of the government of India. Vice president of India, Sarvepelli Radhakrishnan, visited China in September 1957 and met Mao Zedong five times- this has no parallel in Mao’s life.
7.2 MATERIAL AREAS FOR JOINT NEGOTIATIONS

The relation between China and India is as long as civilization. That is why the names of two countries were joined together and is regarded as Chindia. Chindia is a portmanteau word that refers to China and India together in general. The credit of coining the now popular term goes to Indian Member of Parliament Jairam Ramesh. China and India are geographically proximate, are both regarded as growing countries and are both among the fastest growing major economies in the world. Together, they contain about one-third of the world's population. They have been named as countries with the highest potential for growth in the next 50 years in a BRIC report. The economic strength of these two countries is widely considered complementary - China is perceived to be strong in manufacturing and infrastructure while India is perceived to be strong in services and information technology. China is stronger in hardware while India is stronger in software. China is stronger in physical markets while India is stronger in financial markets. The countries also share certain historical interactions - the spread of Buddhism from India to China and trade on the Silk route are famous examples.

However, there are also geopolitical, cultural, economic and political differences between China and India that some argue would make this term inappropriate. The effects of the Sino-Indian War of 1962 have meant that relations between the countries have been cautious and slow. Politically, China can be characterized as a single party authoritarian state whereas India is a democracy of hundreds of political parties. India's culture can be characterized by a high degree of pluralism whereas China has a more ethnically homogeneous population. The commonly-cited complementary nature of China and India's economies is also being questioned as the service sector in China is rapidly growing, while India's manufacturing sector has seen rapid growth in recent years. China also has a head start in international marketplaces and is a large investor in Africa. There is
also the belief that China has greater geopolitical clout than India as well as a permanent seat on the United Nations Security Council which has led to leaders and academics terming the Sino-American relationship as the 21st century's most important bilateral relationship. Still there are issues which should be considered of strategic importance and effect the bilateral trade of the countries. These areas are material in nature and should be considered for making the ties of two countries more fruitful. India and China have interacted constructively on regional and international issues. Both the sides have agreed to further work on their convergence of interests on issues. Both the sides have agreed to further work on their convergence of interests on issues such as world trade, climate change concerns, global financial crises etc. Following areas of joint negotiations and collaborations were found where the possibility of creating ties is seen by the two countries. Moreover a large potential exists in these areas to move on further for creating friendly, healthy and strong relations, thereby emerging in the world as two strongest economies.

7.3 PATH TOWARDS NEGOTIATIONS

Despite some early dissension and controversy over certain issues, such as the legacies of the British rule and conquest, India's foreign policy of non-alignment, etc. Sino-Indian relations continued to progress in a cordial manner and culminated in friendly exchanges. On 1 January 1951, the first rice-jute barter agreement was signed between India and China by which the latter agreed to supply 50,000 tons of rice to the former, who in turn would supply 16,500 packs of jute. Beginning with this trade contract, an extensive friendly relationship Associations were set up in both countries and many cultural and other good will delegations were exchanged. Till then many steps have been taken to create friendly exchanges in both the countries. From the mutual visits of the two country top leaders to opening up of the trade routes, the friendly exchanges of the two
countries are taking shape. As a result the bilateral trade between two countries have crossed $60 billion. Year 2010 was an important milestone in India-china relations as it marked the 60th anniversary of establishment of diplomatic relations between Republic of China and India the period of review witnessed a number of developments in India china relations. The year 2010 saw a host of high level bilateral exchanges. The regular high-level interactions on the sidelines of regional international gatherings and sustained exchanges in various fields continued. The two countries have also been furthering co-operation in regional and multilateral forums on global issues such as climate change and global financial issues. After a gap of a decade and the visit of Prime Minister Dr. Manmohan Singh to China in January 2008, President of India Smt. Pratibha Devisingh Patil had a successful visit to China from fruitful discussions with the top leadership of China. She also inaugurated and dedicated the Indian – Style Buddhist temple in Luoyang in Henan province of China. The External Affairs minister paid a bilateral visit to China from 5-8th April 2010. During his visit the two sided signed an Agreement on establishment of Direct Secure Telephone Link between the Prime Minister of India and Premier of China. Paving the path for further development Mr. Wen Jiabao, Premier of the State Council of the People’s Republic of China, paid a State visit to India from 15 – 17 December, 2010. During his visit the two sides signed MOU’s/Agreements for cooperation in the field of culture, green technology, media exchanges, water resources and Banking cooperation. A joint communiqué was also issued during the visit. In the areas of economic co-operation, the two sides agreed to establish a Strategic Economic Dialogue to enhance macroeconomic policy co-ordination, to promote exchanges and interactions to join hands to address the issues and challenges appearing in the economic development and enhance economic co-operation. While setting a new bilateral trade target of US $ 100 Billion by 2015, the two sides agreed to constitute an India – China CEO’S Forum to deliberate on business issues and
make recommendations on expansion of trade and investment cooperation. Enhancing cooperation, in the field of culture, the two sides declared as the “Year of India-China Exchange”. In the field of educational co-operation, China welcomed the introduction of Chinese as an optional language in the school curriculum of CBSE from 2011 and agreed to offer for training Chinese language teachers and providing Chinese language training materials. The two sides declared the establishment of the India-China Outstanding College Students Exchange Programme

7.4 AREAS OF COLLABORATION AND COOPERATION BETWEEN TWO COUNTRIES

There are various areas where both the countries are collaborating positively on International forefront. These areas are directly or indirectly affecting the bilateral trade of both the countries, therefore an insight of these areas is must while studying Sino-Indian trade Relations.

7.4.1 Agriculture

China, India and Brazil are part of the group known as the “BRIC”, countries that have become emerging superpowers in just a few years. These "emerging giants", which are key players in the international arena, currently participate in the new global economic reality and weigh more in trade negotiations. This is particularly true in agriculture. Today, China, India are considered true “agricultural powers” in terms of production, exports and imports and will set the rules for tomorrow's agriculture alongside the historic actors: the United States and Europe. Emerging countries can play a twofold role in combating global food insecurity. First, given the large share of the world’s undernourished living in India, and to some extent China, policies and initiatives to combat hunger and increase global food security are especially pertinent within these emerging countries. Second, emerging countries increasingly affect growth and
development prospects in developing countries directly, through aid, trade, and foreign direct investment (FDI), and indirectly, through commodity prices and competition in third markets. China and India play a dominant role in the global production of food products, including staple crops such as wheat, maize, and rice. China and India are the world's largest producers of wheat and rice and, along with Brazil, were among the top five producers of maize in 2008. Their production and productivity growth have a critical impact on global food security. India and China, have experienced robust and sustained productivity growth in the agricultural sector since the 1970s, with technological change and agricultural research (alongside macroeconomic stability and institutional reforms) playing important roles. These emerging countries have increased their agricultural spending in absolute terms since the 1980s and have invested heavily in their public agricultural research systems.

The technologies and know-how from these emerging economies have the potential to spill over to other developing countries. China has already set up many demonstration stations in Africa. Trade flows between emerging and developing countries have been on the increase, surpassing levels of trade between emerging and developed countries in recent years. Trade relations with emerging countries have a significant food security dimension. The two countries are among the major exporters of a number of major food crops, and as a result their export and production policies have a significant effect on food prices and supplies in many developing countries. Increasing trade with emerging countries offers developing countries the opportunity to expand markets for exports and to obtain cheaper imports. It also, however, poses the risk of displacing domestic producers by perpetuating old North-South patterns of trade that increase the dependence of developing countries on exports of primary commodities rather than promoting the development of more value-added exports or manufacturing activities. Given the growing demand
for natural resources among emerging countries, there is a broad consensus that the main developing-country “winners” from trade with emerging countries (especially China) have been producers and exporters of primary commodities, while the “losers” have been countries and producers involved in labour-intensive manufacturing and commodity chains. The emerging powers have increasingly demanded a greater say within the global trade system and have become major players in the recent Doha Round negotiations on agricultural liberalization.; China and India’s unwavering support for emergency tariffs (in direct opposition to the United States and the European Union) has been cited as a contributing factor in the breakdown of trade talks in 2008. The 2007–2008 food price crises illustrated the impact of trade policies on food security. Export restrictions, together with panic purchases, accounted for most of the increase in world food prices at that time. For example, in response to rapid increases in domestic food prices, India (typically the third largest rice-exporting country) imposed a series of control policies—taxes, minimum price, and bans on rice exports, thereby exacerbating world price volatility in order to stabilize domestic prices and inflation. Therefore a large potential exists in the area of agriculture where both the countries have the potential to move further.

7.4.2 Intellectual property rights

The major focus in IPR should be on two issues, namely, patents and copyrights. In case of patents, the concerns are on securing the interests of the consumers and the domestic industry. Although the Doha declaration on ‘TRIPS and public Health’ 2001, and Cancun Ministerial (2003) promise to ensure the first, the two countries need to focus on a variety of issues. First, there is need to negotiate over the purview of ‘regulatory exception’. Compulsory licensing’ and ‘parallel imports ‘from a developing country perspective. While the first provision allows limited exceptions in the exclusive right of the patent-owner, provided that is not in unreasonable conflict
with the normal provisions; the third one permits use or sale of licensed products outside the territory in which they have been licensed. 'Compulsory Licensing' allows generic manufacturers to produce cheaper versions of patented drugs even without the authorization of patent holder, subject to fulfilment of certain conditions, which is extremely important to take care of in the public health scenario in developing countries. However, the developing countries' interests considerably affected because of several restrictive provisions in the agreement. For instance, the agreement does not indicate the conditions for using 'regulatory exception', thus ring the way of future disputes. In addition, CL is issued strictly for servicing the domestic market, acting as a disincentive on production in developing countries because of their small market size. India has already witnessed this. In copyright related provisions, international intellectual property Alliance (2000) identifies both china and Asia as major violators, reporting substantial losses incurred by US producers in these markets because of weak enforcement. The estimates suggest that a major proportion of the literary and entertainment related and other artist works reaching these two countries get illegally copied. Demanding USTR pressure on china to ensure stricter TRIPS – compliance, the president of International Intellectual Property Alliance Mr. Eric Smith noted that it '... fails to meet minimum TRIPS standards... China can no longer justify its failure to deliver TRIPS-compatible copyright protection with the argument that it “needs more time.” It has now been three years and we have seen progress only at the margins.'

Based upon the experiences of the local producers in export destinations, the US government places partners in various groups. Subject to varying degree of trade restrictions during 2002-03, china and India were both under full monitoring and should ensure that the restrictive provisions be applied against them only on mere basis, and not as a masked trade policy. Chinese intellectual property,
however, is still frequently critiqued. Enforcement is notoriously weak with the United States citing "rampant counterfeiting and piracy problems." Strikingly, according to the USTR, China was the origin for 67% of seizures of counterfeit goods at the American border in 2008.\(^\text{13}\)

In response to these and other concerns, China has recently updated its patent laws, increasing statutory damages and expanding the investigative power of the patent office. Therefore looking at these aspects India should look at the perspectives of the Intellectual Property rights before entering into further areas of negotiations of trade with China. This area needs special consideration and a potential of negotiation.

### 7.4.3 Climate Change

India and China are actively participating on the issue of Climate Change at the international forefront. Two of the world's biggest polluters, India and China, have signed an agreement to work together on addressing climate change. The two countries will cooperate on technology development and reducing greenhouse gas emissions. They have also pledged to work together in international climate change negotiations ahead of the Copenhagen climate change talks in December. China and India signed a Memorandum of Agreement (MoA) on cooperation in dealing with climate change signalling an upgrading of Sino-Indian cooperation in the field. The agreement was signed by Xie Zhenhua, vice chairman of National Development and Reform Commission of China, and Jairam Ramesh, Minister of Environment and Forestry of India at the national action plan joint meeting on climate change held by the two governments. According to the MoA, China and India will build partnership on climate change and strengthen cooperation in alleviation, adaptation and empowerment projects concerning climate change. The two countries will also set up a Joint Working Group which will hold meetings alternately every year in China and India, to exchange views on major issues in global climate talks, domestic policies and
measures, and implementing related cooperative projects, according to the MOA. Moreover, The United Nation’s Climate Change Conference took place in Cancum, Mexico, in Dec. 2010. A large number of Indian and Chinese delegation participated in the Conference. The highlights if the Cancum’s Agreement includes the setting up of a ‘Green Climate Fund’. Under Conference Of Parties (COP) with equal representation from developed and developing countries, establishment of an Cancum Adaptation Framework for better planning and implementation of adaptation projects in developing countries through enhanced financial and technical support, establishment of a Technology Executive Committee and Climate Technology Centre and CTCN (Network for technology development and transfer) and a decision on curbing emissions from deforestation and forest degradation in developing countries with technological and financial support. The close co-ordination between India and China as a part of the group also continued a pace in the run up to the Cancum Conference with meetings at New Delhi, Cape Town, Rio and Tianjini in China in 2010. Thus both the countries are mutually very much positive in the field of Climate Control and are showing interests in various collaborations.

7.4.4 Cultural Ties

The characteristic of harmony that Indian and Chinese Cultures achieved thousands of years ago made a great impact on the other countries of the world. As China and India are neighbouring nations, the quality of harmonization had a particular influence on the masses of the two countries. It can be noticed in the lives of the people living in the North-Western regions of India and of those living in the border areas of China. At the invitation of Premier of the State Council of the People’s Republic of China H.E. Wen Jiabao, Prime Minister of the Republic of India H.E. Atal Bihari Vajpayee paid an official visit to the People’s Republic of China from 22 to 27 June 2003. During this visit, recalling the historical and cultural links between China and India,
and desirous of promoting the development of cultural relations between their countries, the two sides have signed the Memorandum of Understanding between the Government of the People's Republic of China and the Government of the Republic of India on the Reciprocal Establishment of Cultural Centre's. Both sides agreed to set up Cultural Centres in each other's capitals and will facilitate their establishment. The two sides have also signed the Executive Programme of the Cultural Exchanges Between the Government of the People's Republic of China and the Government of the Republic of India for the Year 2003-2005. According to this, the exchanges and co-operations between China and India in the fields of arts and culture, education, social sciences, mass media, youth affairs, and sports etc. will be highly strengthened. People to people contact have also emerged as an important aspect to India-China bilateral relations. In the year 2011, in order to commemorate the 60th anniversary of establishment of diplomatic relations between the two countries a "Festival of India" in China and a "Festival of China" were organised. The fifth annual Youth Exchange between India and China took place in this year. India participated in world Expo, held in Shanghai from 1 May to 31 Oct 2010 with a national pavilion covering 4000 square meters on the theme "cities of harmony". The Kailash mansarovar yatra, across Lipulekh Pass in Pittorgarh District of Uttarakhand also proceeded smoothly in the current year. The two countries have also enhanced co-operation in the functional areas. Minister for Human Resources and Development visited China in 2010 and held fruitful discussions with his Chinese counterpart on co-operation in the field of education. Minister for Road Transport and Highways visited China in Sep 2010 and the mutual collaborations in the field of infrastructure development in India were discussed upon. In the current developments, new slogan has been given to the Sino-Chinese relations. It started with "Hindi-Chini bhai bhai", followed by "Chindia" and now the Sino-Indian friendship slogan was transformed into "Chindustan", with steadily rising number of
students learning Chinese and Hindi to cash in on the booming bilateral trade.

Peking University, China’s most prestigious institution of higher learning celebrated Hindi day as over 100 Hindi students and Professors from all over China converged into campus. Hindi is being taught in nine universities in China with the steady increase of students. Several Chinese students who took part in the meeting feel confident of getting absorbed by business house cashing in on the rapidly increasing bilateral trade which crossed USD 61 billion in 2010\(^6\). The job prospect of translators and communicators was rising as Indian China business is rapidly growing.

### 7.4.5 BRIC

In economics, BRIC is a grouping acronym that refers to the countries of Brazil, Russia, India and China, which are all deemed to be at a similar stage of newly advanced economic development. It is typically rendered as "the BRICs" or "the BRIC countries" or alternatively as the "Big Four". The acronym was coined by Jim O'Neill, a global economist working for Goldman Sachs, in a 2001 paper entitled "Building Better Global Economic BRICs". The acronym has come into widespread use as a symbol of the shift in global economic power away from the developed G7 economies towards the developing world. According to a paper published in 2005, Mexico and South Korea were the only other countries comparable to the BRICs, but their economies were excluded initially because they were considered already more developed, as they were already members of the OECD. Goldman Sachs has argued that, since the four BRIC countries are developing rapidly, by 2050 their combined economies could eclipse the combined economies of the current richest countries of the world. These four countries, combined, currently account for more than a quarter of the world’s land area and more than 40% of the world’s population.
Goldman Sachs argues that the economic potential of Brazil, Russia, India and China is such that they could become among the four most dominant economies by the year 2050. The thesis was proposed by Jim O'Neill, global economist at Goldman Sachs. These countries encompass over 25% of the world's land coverage and 40% of the world's population and hold a combined GDP (PPP) of 18.486 trillion dollars. On almost every scale, they would be the largest entity on the global stage. These four countries are among the biggest and fastest growing emerging markets.

The BRIC thesis recognizes that Brazil, Russia, India and China have changed their political systems to embrace global capitalism. Goldman Sachs predicts that China and India, respectively, will become the dominant global suppliers of manufactured goods and services, while Brazil and Russia will become similarly dominant as suppliers of raw materials. It should be noted that of the four countries, Brazil remains the only nation that has the capacity to continue all elements, meaning manufacturing, services, and resource supplying simultaneously. Cooperation is thus hypothesized to be a logical next step among the BRICs because Brazil and Russia together form the logical commodity suppliers to India and China. Thus, the BRICs have the potential to form a powerful economic bloc to the exclusion of the modern-day states currently of "Group of Eight" status. According to the report; first China and then a decade later India will begin to dominate the world economy. The report also highlights India's great inefficiency in energy use and mentions the dramatic under-representation of these economies in the global capital markets. The report also emphasizes the enormous populations that exist within the BRIC nations, which makes it relatively easy for their aggregate wealth to eclipse the G6, while per-capita income levels remain far below the norm of today's industrialized countries. This phenomenon, too, will affect world markets as multinational corporations will attempt to take advantage of the enormous potential
markets in the BRICs by producing, for example, far cheaper automobiles and other manufactured goods affordable to the consumers within the BRICs in lieu of the luxury models that currently bring the most income to automobile manufacturers. India and China have already started making their presence felt in the service and manufacturing sector respectively in the global arena. Developed economies of the world have already taken serious note of this fact. Thus India and China are collaborating in BRIC and are expecting for more future collaborations. Next summit of BRIC is in India in 2012 where it is expected that India and China will be opening their doors further for more future collaborations.

### 7.4.6 SCO

Apart from BRIC, both the countries are also collaborating on number of other platforms also. The Shanghai Five grouping was originally created April 26, 1996 with the signing of the Treaty on Deepening Military Trust in Border Regions in Shanghai by the heads of states of Kazakhstan, the People’s Republic of China, Kyrgyzstan, Russia and Tajikistan. April 24, 1997 the same countries signed the Treaty on Reduction of Military Forces in Border Regions in a meeting in Moscow. Subsequent annual summits of the Shanghai Five group occurred in Almaty (Kazakhstan) in 1998, in Bishkek (Kyrgyzstan) in 1999, and in Dushanbe (Tajikistan) in 2000. In 2001, the annual summit returned to Shanghai, China. There the five member nations first admitted Uzbekistan in the Shanghai Five mechanism (thus transforming it into the Shanghai Six). Then all six heads of state signed on June 15, 2001, the Declaration of Shanghai Cooperation Organisation, praising the role played thus far by the Shanghai Five mechanism and aiming to transform it to a higher level of cooperation. In July 2001, Russia and the PRC, the organisation’s two leading nations, signed the Treaty of Good-Neighbourliness and Friendly Cooperation. At its fifth and watershed summit in the capital of Kazakhstan, Astana, in June 2005, when representatives of India,
Iran, Mongolia and Pakistan attended an SCO summit for the first time, the president of the country hosting the summit, Nursultan Nazarbayev, greeted the guests in words that had never before been used in any context: "The leaders of the states sitting at this negotiation table are representatives of half of humanity."

By 2007 the SCO had initiated over twenty large-scale projects related to transportation, energy and telecommunications and held regular meetings of security, military, defence, foreign affairs, economic, cultural, banking and other officials from its member states. No multinational organisation with such far-ranging and comprehensive mutual interests and activities has ever existed on this scale before. The SCO has now established relations with the United Nations, where it is an observer in the General Assembly, the European Union, ASEAN (Association of Southeast Asian Nations), the Commonwealth of Independent States and the Organisation of Islamic Conference.

With the Shanghai Cooperation Organisation (SCO) all set to expand membership, India is keen to become a full-fledged member of the group. Shunning its past indifference to the group, India has shown a considerable shift in its position in the past one year or so vis-a-vis the SCO and it best manifested in PM Manmohan Singh himself attending the organisation's summit in June 2009 in Russia. Sources said that India believes that SCO is essentially a security organisation which had a major role to play in Central Asia and Afghanistan. In a foreign ministers' meet last week in Tashkent, the SCO approved rules for allowing other countries to become members. These rules will come up for final approval in the upcoming SCO summit this month. This inclusion will further strengthen the relations between these two countries.
7.5 MAJOR AREAS OF CONFLICT BETWEEN INDIA AND CHINA

India and China are moving ahead to become the strongest economies of the world but still there are some hurdles which need to be studied in their relationships, as they are affecting the bilateral trade and its prospects adversely. The trade of two countries is not only affected by their economic relations but the various factors of the political environment also play a dominant role. The areas of conflicts have two implications: a) political issues b) economic issues.

7.5.1 Political Issues

The political environment of a country plays an important role in the development of the economy at the international forefront. It is not the economic environmental factors but the political factors also which affect the trade and terms of trade of two countries. India and China are in conflicts on some political issues which ultimately hinders their trade ties. A study of these political issues gives us an insight of hurdles to trade in these two countries.

7.5.1.1 The Border Issue

One of the most important dispute between these two counties is the boundary question. The China-India border covers a distance of more than three thousand kilometres, which is divided into three sections: the western, middle, and eastern sectors. The Indian side suggests that the Sino-Indian border is about 4060 k.m. long because it should include the Tibet-Sikkim border and the one between Xinjiang and Pakistan-controlled Kashmir. The western India's Kashmir and Tibet and Xinjiang in China, the middle sector runs from the Tibet-Kashmir-Punjab border junctions to the Nepal-Tibet-Uttar Pradesh border junction, while the eastern sector starts at the China-India Bhutan border junctions and extends to the China India-Myanmar border junctions. The incompatible claims of the two sides over's the disputed territory along the border led to a brief but
significant war in Oct. 1962. Diplomatic relations at the ambassador level were cut off after the border war and restored only in 1976. Between June 1981 and Nov. 1987, eight rounds of talks were held to settle the boundary question, but little progress was made. Nor did the talks prevent the two countries from engaging in border clashes in 1986-87. Indian Prime Minister Rajiv Gandhi’s break-through visit to China in Dec. 1988 broke the impasse in Sino-Indian relations and led to the recommencement of border negotiations. The two sides decided to set up an India-China joint working group on the boundary question to map out a mutually acceptable resolution from June 1989 until August 2001, thirteen sessions of the JWG meeting have been held. During Indian Prime Minister Narasimha Rao’s visit to China in September 1993, an India-China diplomatic and military expert group was created as the subgroup of the JWG, and met twelve times between Feb. 1994 and June 2002. Although these talks have made little progress in reaching a final solution of the border disputes, they were instrumental in establishing a mechanism for regular discussions. Moreover, unlike the previous border talks held between 1981 and 1987, the JWG and expert group meeting proved successful in maintaining peace and tranquillity in troubled areas along the Sino-Indian border. There exists a vast body of literature centered around the 1962 border war and the eight rounds of talks between 1981 and 1987, which has provided some insight as to the origins and development of the border dispute before the establishment of the JWG. According to the Sino-Indian joint press communiqué issued on Dec. 23, 1988, the aim of the JWG is to seek a mutually acceptable solution the Sino-Indian boundary question. However, from the outset, the JWG has focused most of its efforts on initiating efforts that can maintain peace and tranquillity along the border, instead of discussing possible recommendations to settle the overlapping claims over bordering areas. This real focus was a clear sign that both sides acknowledged that the time was not yet ripe for reaching an ultimate resolution on territorial adjustment. Aware of the complexity of the
border issue, both sides avoided rushing to a border agreement but aimed at creating a favourable atmosphere here conducive to an ultimate settlement of the dispute. The two countries agreed that CBM's been not only of vital importance to safeguarding peace and tranquillity along the disputed border but would also contribute to the steady development of relations between the two countries. The JWG began deliberations with the first meeting held in Beijing from June 30 to July 4, 1989, soon after the Tiananmen incident. The decision to hold the first meeting in Beijing as scheduled reflected both sides' desire to maintain the momentum initiated by Rajiv Gandhi's visit. As a sign of quickening pace of negotiations on the CBM's the year 1992 witnessed two JWG meetings. First came the fourth round of talks of the JWG, held in New Delhi on Feb. 20-21, 1992, while the fifth session was held on Oct 27-29. At the fourth session of the JWG meetings, the members from the ministries of defence of the two sides were included in the delegations for the first time. Following the guidance of the 1991 communique, the two delegations agreed to regularize the meetings between border personnel, which would be held at Bum La in the eastern sector and in the Spanaggar. The 1993 CBM's agreement communication and declaratory measures appeared more adequate after six sessions of the JWG meetings, while other measures remained under discussion. Indian Prime Minister Narasimha Rao's China visit in Sep 1993 provided the setting for the codification of works done by the JWG meetings. The two sides signed the agreement on the maintenance of peace and Tranquillity along the line of Actual control in the China India border areas the agreement was described as a "positive break through" in Sino-Indian relations. Thus it was seen that all such efforts to resolve the border issue will indeed clear the problems with two nations and thereby strengthen the trade ties.

Going back to the history of border conflict Huang Hua's visit to New Delhi ushered in a euphoria that paved the way for the beginning
of official level border negotiations in Dec. 1981. The first round of border talks, held in Beijing during 10-14 Dec. 1981, brought into focus the sharply differing perceptions of the two countries on the border dispute. The Chinese followed the traditional line of pressing India to accept the proposal of 'Package deal; while India rejected this proposal as before. The Chinese suggested that the border issue be shelved and progress be made first on other matter relating to trade, Science and cultural exchange. The Indians, on the other hand, emphasized the centrality of the border question to the goal of improving relations between India and the PRC. It was understandable from the attitudes of the two countries the neither side had expected any break through to be achieved in this round of talks.

No Significant development took place in the second round of border talks, held in New Delhi during 17-20 May 1982. China reaffirmed its reluctance to accept the validity of the McMahon line and emphasized the need to expand scientific, technical, cultural ties; on the contrary, the Indian side harboured the idea that the lack of progress in border talks would seriously hinder the improvement of relations in other spheres. Despite the conflicting approaches of the two countries, they made considerable diplomatic progress in the cultural, scientific and technological fields in the round of talks. The third round of negotiations, held in Beijing from 27 Jan. to 2 Feb. 1983, also failed to yield any positive result with regard to the border problem, even though Beijing Review reported: 'Both sides were positive in their attitude in the negotiations on the boundary question, and the atmosphere was friendly. Discussions on trade, economic Cooperation and cultural and made positive progress the two sides were satisfied with the result.' This round was preceded a bitter controversy sparked off by the inclusion of two dances of Arunachal Pradesh in the closing ceremony of the Asian games held in New Delhi. The official New china News agency inferred this as a deliberate
move by India to validate its sovereign claim on Arunachal Pradesh much of which is actually claimed by China. The Govt. of India lodged a strong protest against the NCNA comment, calling it an 'Unwarranted attack; this episode undoubtedly cost a deep shadow on the forthcoming talks. Even then, neither India nor China desired a postponement of the third of the third round of negotiations which proved to be inconclusive. In the fourth round of talks, held in New Delhi between 24 and 30 October 1983, China accepted the Sector by Sector approach proposed by India as a basis for conducting talks although the "agreement over each sector should form part of a comprehensive settlement". India also agreed to China's suggestion that normalization should proceed in other spheres irrespective of the settlement of the border problem. Thus, this round of negotiations involved a joint compromise by India and China and led to a significant expansion of exchange in other sectors including science, culture, and trade. No substantial progress was made in the fifth round of negotiations held in Beijing from 17 to 22 September 1984. China and India could not reach complete accord on principles but their differences were reported to be sufficiently narrowed down. The only meagre achievement of this round was that the two sides agreed to begin discussion on the long-standing problem in the eastern sector at the sixth round of talks. There was a considerable increase in Sino-Indian contacts between the fifth and sixth round of talks. A few weeks prior to the sixth round, B.R. Bhagat, the then foreign minister of India, met his Chinese counterpart, Wu Xueqian in New York. Both the leaders were optimistic about the prospect of the forthcoming talks. Wu even stated that the border issue was the 'only outstanding problem; which could be resolved with a spirit of 'mutual accommodation and mutual understanding. The next high level contact between the two sides was the meeting between Prime Minister Rajiv Gandhi and his Chinese counterpart, Zhao Ziyang in New York in Oct 1985; both the leaders felt that the border question was not an instrument able problem and that it must be deal with on
a priority basis. But when the Chinese premier renewed the invitation
to Rajiv Gandhi to visit China, the latter stated that such a trip would
be of no avail unless it had been preceded by proper preparatory work.

Following these high level contacts, it was naturally expected
that some breakthrough might be achieved in the sixth round of talks
which began in New Delhi on 4th Nov. 1985. But all expectations were
belied when the Chinese side deviated from the original 'package'
proposal and began to ask for territorial concessions by India in the
eastern sector. Conceding to India's sector-by-sector approach, China
now maintained that the eastern sector was the most contentious
issue of the entire boundary question and India was in legal
possession of 90,000 Sq. Km. According to one Indian scholar, "By
expanding the area of controversy from the Aksai Chin to the
McMahon line, they were in fact reiterating their original stand across
the board and making the point that it was futile for India to persist in
its deterministic approach." The tough bargaining strategy of the
Indians, who had till then assumed that the eastern sector was in
disputed and that an overall solution of the boundary problem would
be possible after the two sides reached a compromise in the western
sector. During the mid-eighties, certain ominous developments took
place in India-China relations which further reduced the chances of
success of the official level negotiations. In the summer of 1986, India
accused China of introducing into its territory south of the McMahon
line in the Sumdorong Chu valley in the Tawang district of Arunachal
Pradesh. China countered the India by complaining that the Indian
troops had penetrated north of the line if actual control into the
Chinese territory. In view of the increasing tension and suspicion
between the two countries, the seventh round of talks, held in July
1986, ended in a complete fiasco over the border issue. Sino-Indian
relations deteriorated further following India's grant of statehood to
Arunachal Pradesh in Dec. despite advice to the contrary by the then
foreign secretary of India.
China denounced the Indian act as illegal and a serious violation of China’s territorial integrity and sovereignty: and maintained that it would ‘never recognize the ‘So – Called Arunachal’ Pradesh set up in the disputed eastern sector of the Sino- Indian boundary.\(^\text{31}\) Another irritant in Sino- Indian relations was Indian’s military exercise, code named, “Operation chequer board’ along the India- china border, involving more than ten army divisions and the air force. The Chinese regarded this move as provocative and began to deploy its soldiers and weapons in Tibet. The ground was thus prepared for another escalation in Sino – Indian tension which was fortunately avoided. In the subsequence month, both the countries became aware of the need for repairing the damage that had been inflicted on their relations by these developments. In April 1987 the newly appointed Indian defence minister K. C. pant’s halt at Beijing was contrived to demonstrate India’s desire for peace. In June, India’s foreign minister N. D. Tiwari’s talks with the Chinese leaders sufficiently improved the atmosphere between the two countries, enkindling the hope of the suspended border talks.

The eighth round of talks, held in New Delhi in Nov. 1987, failed to achieve any spectacular break through although both sides emphasized the need to avoid military confrontation and step up, at the same time, trade and economic cooperation. China was pleased by India’s assurances of non interference in Tibet, especially after the US denunciation of China’s repressive measures in Tibet.\(^\text{32}\) However, after eight rounds of official level talks it must have undoubtedly dawned upon the leaders of both countries that the border issue could not be resolved at the bureaucratic level and that a political initiative was necessary Rajiv Gandhi thought it was high time to take political initiative and therefore decided to visit Beijing in Dec. 1988. Rajiv Gandhi’s dramatic visit to China in Dec. 1988 was the first visit by an Indian Prime Minister in thirty four year- constituted a bold
attempt to break the diplomatic log-jam and establish peace and amity between the two nations. On his arrival in Beijing on 19 Dec. Rajiv made a jubilant announcement that he had come to ‘renew or old friendship’ and that his visit would mark’s new beginning’ in the development of bilateral relations between the two countries. (The statesman, 20 Dec. 1988). During his sojourn in Beijing the Indian prime minister had discussions with his Chinese counterpart and other top Chinese leaders on the border problem, the Tibetan issue, the international situation and various other aspects of bilateral relations. Rajiv Gandhi’s decision to visit china was influenced by a number of domestic an external factors. So far as the domestic compulsions were concerned there were two issues that led to a considerable decline in Rajiv’s popularity. First Rajiv failed to curb the rising tide of violence in Punjab and to bring about any change in the situation despite several coercive measures undertaken by the Govt. of India. Second, Rajiv Gandhi and his govt were accused by the opposition leaders of receiving large kickbacks on defence contracts, especially the purchase of Swedish Bofors guns. Things became worse when the defence minister, VP Singh himself resigned and demanded a thorough investigation of the Bofors deal. All these created discomfiture for Rajiv, who was desperately in need of a major foreign policy excess in order to restore some of his lost prestige and image. Added to these was the unprecedented improvement in Sino-soviet relations, mainly brought about by Mikhail Gorbachev’s bold initiatives towards China as spelt out in his Vladivostok speech in July 1986. The govt. of India began to doubt whether the USSR would now be as committed to India in the event of a Sino-Indian conflict as it had been in the sixties or seventies. The prospect of a Sino-Soviet rapprochement, which almost looked inevitable, most have, then undoubtedly influenced Indian’s Prime Minister to undertake a trip to china. The highlights of Rajiv Gandhi’s china visit were that it led to a relaxation of tension and to a more improved climate in the relations between the two countries. Deng Xiaoping,
while welcoming the Indian prime minister, urged that both China and India should 'forget the past and look forward to the future'. In the aftermath of Rajiv Gandhi's China visit there was a significant proliferation of contacts between the two countries. Half a dozen Chinese delegation visited India during the first six months of 1989, which included a parliamentary delegation of experts in international relations and some ministers and senior officials. Moreover, the first meeting of the JWC on the border, set up during Rajiv's visit, was held in Beijing during 1-4 July 1989. This marked the beginning of a process of probing into the complex border problem and of maintaining, at the same time, peace and tranquility along the border areas. In Sep, the first meeting of the India - China joint communication on trade, economic scientific sides agreeing to expand their level of trade. (Following this meeting, China had agreed to Import 1 million tons of iron ore, 100 million tons of chromites ore and 200000 to 300000 tons of area. India would import silk and silk yarn valued at $ 50 million, pulses worth $ 10 million to $ 12 million, rising worth $ 5 to $ 6 million, petroleum and petroleum products of the value of $ 4 to $ 5 million besides dyestuffs, dyes and fresh were pearls, (The statesman, 21 Sep. 1989.) Sino-Indian ties were further strengthened when China's vice Premier, Wu Xueqian, visited New Delhi in Oct. and met several Indian leaders included the Prime Minister and the external affairs minister referring to the boundary question, Wu said that 'a mutually acceptable solution can be found; Moreover, the two sides shared identical views on many international issues and agreed to work together to establish a new international political and economic order. The national front government came to power in Dec. 1989 with VP Singh as the Prime Ministers. The new government's policy towards China was spelt out in the president's address to the parliament on 20 Dec. 1989. The process of further understanding and cooperation between India and China will be continued by my Govt. It is hoped that the boundary question can be resolved in a fair and reasonable manner in consonance with our
national interests.\textsuperscript{35} In a special gesture towards the VP Singh govt., the Chinese foreign minister, Qian Qichen, visited in March 1990 and expressed his confidence that both the defence and Indian people have the ability and wisdom to find a reasonable solution to the boundary problem. In Aug-Sep, the second round of border talks of the JWG was held. Although the talks made no dent on the border problem, a joint military mechanism was set up to maintain peace and tranquillity along the border. Another positive development in the process of normalization of Sino-Indian relations was Indian foreign minister VC Shukla’s meeting with his Chinese counterpart, Qian Qichen, in Beijing in Feb. 1991 and the resulting decision to reopen consulates in Bombay and Shanghai.\textsuperscript{36} This was immediately followed by the visit of India’s commerce minister, Subramaniam Swamy to Beijing with the two sides agreeing to open border trade.\textsuperscript{37} Chinese premier Li Peng’s visit to India during 11-16 Dec. 1991 took place in the fundamentally changed international scenario, marked by the collapse of the Soviet Union and the emergence of a post cold war world order in which the US resigned supreme. As India and China had reason to be worried over the impregnable positive of Washington in the new world order, the Chinese premier and his Indian counterpart made a direct frontal attack on the ‘serious imbalance of world forces’ that made it ‘increasingly difficult for developing countries’ to resolve their political and economic problem. The two countries expressed their stubborn opposition to any kind of International oligarchies; and made a firm announcement that no country or countries could or should be permitted to manipulate world affairs and practice power politics.

The joint communiqué stated that both PV Narasimha Rao and Li Peng agreed to base the new world order on the 5 principle, to stress equality of countries irrespective of their size and capability to curb the arms race and ensure effective disarmament, to increase the pace of south-south cooperation and also to strengthen the United
Nations. Thus, both China and India seemed committed to refashion the world order by sharing a broad identity of views, as reflected in the joint communiqué, on contemporary international affairs. In essence, Li's six-day visit was a step forward in the process of normalization of relations between the two countries. At the banquet hosted in his honour by PV Narasimha Rao on 11 Dec. the Chinese premier announced that neither side would allow the exiting boundary difference to stand in the way of further developing and promoting bilateral relations. Both sides believed that the talks held so far by the Sino-Indian joint working group on the boundary question had enhanced mutual understanding and agreed that the group should step up its work in search of an earliest possible solution to the boundary question. They also agreed that the periodic meetings between the military personnel in the border areas should be held on a regular basis. Another tangible result of Li's visit was that three agreements were signed relating to cooperation in the economic sphere including resumption of the traditional border trade, reopening of the consulates—General in Bombay and Shanghai, and cooperation in outer space. Despite the two countries' efforts to normalize their relations, it was argued that India made far too many concessions and failed to secure commensurate gains. First, Beijing had gained disproportionately from India's endorsement of Tibet as an autonomous part of China. This endorsement came at a time when China was severely criticized by the west for its rampant violation of human rights in Tibet. China could have been pressed, the critics argued, for extracting similar assurances on Kashmir, especially when the international political environment had been increasingly critical of the Chinese since the Tiananmen massacre of June 1989. The only silver lining for the Indians in this regard was the communiqué's in the region should peacefully settled through friendly consultation second, the communiqué categorically referred to the Chinese concern over the continued activities in India by some Tibetan's and warned against their attempt and action aimed at splitting china. In striking
contrast, there was no explicit mention of Kashmir in the communiqué nor any allusion to Pakistani sponsored terrorism in the Kashmir valley. Third, New Delhi’s appeasing tendency towards an internationally isolated China was also manifested in its common front with China on human rights. The joint communiqué stated the views of both sides that ‘the right to subsistence and development is a basic human rights for developing countries. Although the Indian foreign ministry claimed that the ‘human rights issues were not a problem for India as the Indian system was open and the judiciary was independent, much of its credibility was lost when the Indian police ruthlessly suppressed the agitating Tibetan exiles clamouring for the independence of Tibet. Fourth, India’s involvement in a common front with China against ‘international oligarchies and their efforts to ‘manipulate world affairs and practice power politics’ had stirred up a controversy. As one critic argued, this was tantamount to ‘a gratuitous insult directed at the US. Fifth, the Chinese side reacted nonchalantly when India’s foreign minister Madhavsinh Solanki apprised his Chinese counterpart, Qian Qichen, of New Delhi’s concern over China’s supplies of missile and assistance of nuclear technology to Pakistan. Qian said that China had no desire to fuel on arms race in the region. But no public statement in this regard came from the delegation. Finally, despite India’s misgivings about Pakistan’s proposal for a south Asian nuclear free Zone, Li categorically stated at press conference China’s support to establish ‘Non – Nuclear Regions, including that in South Asia. The criticisms levelled against the Govt. of India for its handling of the Chinese premier’s visit to New Delhi were, to a certain extent, valid. But, the post-cold war environment within which India had to operate – should be taken into consideration. The collapse of the Soviet Union had signalled the end of a Strategic alliance which had long provided India with a measure of security against the combined strength of China, Pakistan and the USA. It had also meant the end of an arms transfer relationship between New Delhi and Moscow. India, thus, found itself in a
completely altered situation where there would be no country to replace the Soviet Union's politico-diplomatic-military assistance to it. This, then, provided the rationale behind India's policy of seeking a friendly relationship with the PRC.

PV Narsimha Rao's visit to China in Sep 1993 should be viewed as a continuation of the effort to normalize India-China relations. Four agreements were signed during Rao's Sojourn in Beijing. The most important of them was the agreement to 'maintain peace and tranquillity along the line of actual control' and not to 'use or threaten to use force' against each other. The two sides also signed a protocol on extending border trade across the Shipki pass, a five-year's agreement relating to environment cooperation and another agreement concerning radio-television cooperation. Sino-Indian relations reached new heights with the signing of the LAC agreement, which had been equally acclaimed by politicians and army personnel as an exercise. General K. Sundarji, former Army chief, observed: the accord is a result of relational and pragmatic politics and to oppose it today would be anti-national, silly and stupid. The rationale behind this agreement was to 'stabilize the military situation and 'set up a mechanism for preventing any unexpected clashes' along the border areas. The essential characteristics of this agreement were that, pending a settlement of the border dispute, India and China agreed to respect and observe the LAC which would, therefore, remain undistributed. Second, in case of difference on alignment, experts would check and determine the line. Third, the agreement provided for several confidence building measures, including the reduction of military forces along the border, and keeping their level in conformity with the principal of 'mutual and equal security'. Fourth, reference to the LAC does not prejudice the respective positions of the two countries to the boundary question. Fifth the two countries would continue to search for a fair, reasonable a mutually acceptable solution to the boundary problem. Finally, diplomatic and military
experts from both sides would assist the joint working group in implementing the agreement. Development in Sino-Indian relations in 1994 has indicated the continuing efforts of the two countries for normalization of their bilateral relations. The India-China expert group, set up in the wake of Rao's China visit, met in New Delhi early in Feb 1994 to sort out the difference between the two sides on demarcation of the LAC and to discuss the reduction of troops along the Sino-Indian border. The two sides, which comprised area specialist, including cartographers and survey experts, broadly agreed that they should, first, concentrate on demarcating the LAC and, then implement the series of confidence and security building measures. In the second meeting of the India-China diplomatic and military expert group which was held in Beijing in April considerable progress was achieved on future tasks in defining the LAC, force reductions and other confidence building measures. The group are also held in depth discussions on urgent questions relating to the maintenance of peace and tranquillity in the border areas.

In the middle of June, a high level Chinese trade delegation—led by Madam Wu Yi, minister of foreign trade and economic cooperation—arrived in India and held detailed discussions with the Indian side for promotion of bilateral trade and economic relations, science and technology. In this connection, a trade protocol for 1994-95 was signed by India's commerce minister, Pranab Mukherjee, and Madam Wu Yi. The latter also had extensive talks with India's Prime minister who assured China's of India's continued support for its entry into GATT. Madam Wu reciprocated Rao's assurance by saying that Beijing would be willing to support New Delhi's entry into the Asia pacific economic cooperation forum. The Chinese trade delegation's visit was intended to lead to an expansion of bilateral cooperation on matters relating to economic and trade relations between the two countries. During the Indian Vice-President KP Narayanan's visit to China in Oct. 1994 the two countries signed Memorandums of Understanding
facilitating direct banking transactions and simplifying visa procedures. A major impediment bilateral tie was thus removed by these memorandums. The Indian vice president met President Jiang Zemi, but they reportedly did not touch upon any contentious issues. The two countries also stressed the need for developing economic relations so as to make Asia a prosperous region by the twenty-first century. The Indian vice president's Beijing visit was, therefore a welcome development in the process of normalization of India–China relation. As codified in the 1993 CBM’s agreement, China and India agreed to “check and determine the segments of the line of Actual control where they have differing views as to its alignment.” Both sides also agreed that the expert group meetings would assist the JWG in the task of clarifying the LAC. Compared to evolution of the CBM’s, however, the pace of talks on the delineation of the LAC has been slow. Issues related to the clarification of the LAC were only addressed intermittently in the early days of the JWG and expert group meetings. At the eighth meeting of the JWG in Aug. 1995, the two sides identified certain parts of the LAC where there was a difference of opinion concerning the alignment, and agreed to resolve the questions one by one through consultation.

In brief, the burdensome task to delineate the boundary consists of a two-step procedure. The first step is the clarification of the LAC, namely, translating a national line into a real delineated one. After exchanging and comparing the maps on the LAC, the two sides need to reconcile their difference over the alignment to arrive at an agreement on where the LAC really runs. The second task is to convert the de facto LAC to a demure international border, which might involve territorial adjustment. China and India required more than a year to complete the exchange of the less controversial middle sector maps. Given the current tempo of the talks, however, the clarification of the entire LAC will not be a short term process; there will be no quick reaching of a final settlement about the alignment of the entire
border. Moreover, China’s reluctance to set a time frame to clarify and confirm the LAC may result in a delay of the border resolution.

Going further for resolving the border issue, President R. Venkataraman paid a state visit to China in May 1992. This was the first Head of State-level visit from India to China. President Jiang Zemin's state visit to India in November 1996 was similarly the first by a PRC Head of State to India. The four agreements signed during his visit included the one on CBMs in the Military Field along the LAC covering adoption of concrete measures between the two militaries to enhance exchanges and to promote cooperation and trust. The Chinese were critical of our nuclear tests in May 1998. External Affairs Minister Jaswant Singh visited China in June 1999 and both sides reiterated that neither country is a threat to the other. President K.R. Narayanan’s visit to China in May - June 2000 marked a return to high level exchanges. Premier Zhu Rongji visited India in January 2002.

Prime Minister A.B. Vajpayee visited China in June 2003 during which a Declaration on Principles for Relations and Comprehensive Cooperation was signed. This was the first comprehensive document on development of bilateral relations signed at the highest level between India and China. India and China concluded a border trade protocol to add a border crossing between Sikkim and Tibet Autonomous Region. The two Prime Ministers appointed Special Representatives to explore from the political perspective of the overall bilateral relationship the framework of a boundary settlement.

Premier Wen Jiabao visited India in April 2005. A Joint Statement was signed by Premier Wen and Prime Minister Dr. Manmohan Singh. During the visit, the two sides issued a Joint Statement establishing a Strategic and Cooperative Partnership for Peace and Prosperity. It reflects the consensus that bilateral relations transcend bilateral issues and have acquired a global and strategic
perspective. The agreement on Political Parameters and Guiding Principles signed during the visit represents successful conclusion of the first phase of the work of the Special Representatives on the boundary question.

Chinese President Hu Jintao visited India in November 2006. During the visit, the two sides issued a Joint Declaration containing a ten-pronged strategy to intensify cooperation in all areas and to give greater content to India-China Strategic and Cooperative Partnership. The two sides committed themselves to a ten-pronged strategy to enhance ties. These are:

1. **Ensuring comprehensive development of bilateral relations.**
   - Hold regular summit-level meeting.
   - Open additional consulate general offices at Kolkata and Guangzhou.

2. **Strengthening institutional linkages and dialogue mechanisms.**
   - Concerned ministries shall intensify exchanges under the existing dialogue mechanisms.

3. **Consolidating commercial and economic exchanges.**
   - Endeavour to raise volume of bilateral trade to $40 billion (about Rs. 90,000 crores) by 2010.

4. **Expanding all round mutually beneficial cooperation.**
   - Agree to fully implement the provision of the Memorandum of Understanding on cooperation in the field of oil and natural gas.
• Strengthen cooperation in the information and communication technology sector.

• Set-up expert-level mechanism to exchange flood season hydrological data.

5. **Instilling mutual trust and confidence through defence cooperation.**

• Fully implement provisions of MoU for exchanges and cooperation in the field of Defence.

6. **Seeking early settlement of outstanding issues.**

• Committed to resolve outstanding differences, including boundary through peaceful means in fair, reasonable, mutually acceptable and proactive manner.

• Joint working Group on the boundary issue to expedite work.

7. **Promoting trans-border connectivity and cooperation**

• China to provide greater facilitation to Indian pilgrims for Kailash Mansarover Yatra. Explore possibility of opening additional route.

8. **Boosting cooperation in science and technology**

• Expansion of civil nuclear cooperation.

• Strengthen cooperation in the use of space-based technologies.
9. **Revitalising cultural ties and nurturing people-to-people exchanges.**

- Organise 'Festival of India' in china and 'Festival of China' in India.
- Establish India-China exchange foundation.
- Launch new educational Exchange programme.
- Organise the India-China year of Friendship through Tourism in 2007.

10. **Expanding cooperation on regional and international stage.**

- Shall positively assess the trilateral dialogue mechanism among India, china and Russia.
- Revitalise and broaden India-China dialogue mechanism on counter-terrorism.
- Share developmental experiences with other developing countries and the international community through two-part seminar in New Delhi and Beijing.
- Strengthen cooperation in the World Trade Organization.
- India to continue to abide by ‘One China’ policy.
- India reiterates its recognition of the Tibet Autonomous Region as part of China and not to allow Tibetans to engage in anti-china political activities in India.46

President of the Indian National Congress and Chairperson of the United Progressive Alliance Smt. Sonia Gandhi visited China at the invitation of the General Secretary of the Communist Party of China (CPC) President Hu Jintao on 25-29 October 2007. She met with
President Hu Jintao and Premier Wen Jiabao besides other leaders of the CPC. She paid another visit to China in August 2008 at the invitation of the Communist Party of China to witness the opening ceremony of the Beijing Olympic Games and met, among others, PRC Vice President Xi Jinping.

Prime Minister Dr. Manmohan Singh visited China on 13-15 January 2008. During the visit, he had extensive discussions with Premier Wen Jiabao and met with President Hu Jintao and NPC Chairman Wu Bangguo. A joint document entitled "A Shared Vision for the 21st Century of the Republic of India and the People's Republic of China" was issued during the visit, outlining common positions on a number of international and some bilateral issues. Prime Minister also addressed a high-level business event and delivered a speech at the Chinese Academy of Social Sciences. Prime Minister visited China again in October 2008 to participate in the 7th Asia-Europe Summit held in Beijing on 24-25 October.

The President of India paid a state-visit to China from 26-31 May, 2010. In Beijing, she held talks with Chinese President Hu Jintao and met with NPC Chairman Wu Bangguo, Premier Wen Jiabao and CPPCC Chairman Jia Qinglin. The Indian President, along with Chinese Vice President Xi Jinping, attended the reception to mark the 60th anniversary of diplomatic relations jointly organized by CPAFFC and the Embassy of India. Shri S.M. Krishna visited Wuhan for the 10th IRC Foreign Ministers meeting on 14-15 November, 2010. NSA Shri Shiv Shankar Menon visited Beijing and held the 14th round of SR talks on India-China boundary question on 29-30 November, 2010. He also called on Vice President Xi Jinping. Chinese Premier Wen Jiabao paid a three day official visit to India from 15-17 December 2010. During his visit, Premier Wen met with President Smt. Pratibha Patil, PM Shri Manmohan Singh, Vice President Shri Hamid Ansari, UPA Chairperson Smt. Sonia Gandhi and the Leader of Opposition Smt Sushma Swaraj. In 2010 India and China ended two
days of hectic high-level diplomacy in Beijing with ‘steady progress’ and ‘commitment’ to seek a fair deal on the border dispute. National security adviser Shivshankar Menon, the special representative on border talks in the 14th round of negotiations said that both the countries have shown steady progresses on a ‘framework’ for a final package toward settling the Himalayan border dispute. A Xinhua report said the border talks ended with ‘a joint pledge to seek a fair and reasonable solution acceptable to both sides’. The official statement said both sides agreed to consider ‘overall India-China relations’ and ‘people’s fundamental interests’ while negotiating solutions. The two sides discussed unresolved disagreements including Chinese stapled visas, India’s suspension of high-level defence exchanges and the Chinese footprint in infrastructure projects in Pakistan-occupied Kashmir.

7.5.1.2 The Pakistan Factor

The Pak factor in Chinese policy towards India is also an irritant and troubling factor. Chinese help to Pakistan in their nuclear programme, supply of Chinese arms to Pakistan, handing over a portion of Pak occupied Kashmir to China, construction of Karakoram highway between China and Pakistan along this disputed territory, the formulation of a strategic Beijing-Islamabad-Washington axis, etc. Destabilise the northern region of Indian sub continent. India claims the entire state of Jammu and Kashmir and as of 2010, administers approximately 43% of the region, including most of Jammu, the Kashmir Valley, Ladakh, and the Siachen Glacier. India's claim is contested by Pakistan, which controls approximately 37% of Kashmir, namely Azad Kashmir and the northern areas of Gilgit and Baltistan. China controls 20% of Kashmir, including Aksai Chin, which it occupied following the brief Sino-Indian War of 1962, and the Trans-Karakoram Tract (also known as the Shaksam Valley), which was ceded by Pakistan in 1963.
India has officially stated that it believes that Kashmir is an integral part of India though Prime Minister of India, Manmohan Singh stated after the 2010 Kashmir Unrest that his government is willing to grant autonomy within the purview of Indian constitution to Kashmir if there is consensus on this issue. Pakistan says that Kashmir is a disputed territory whose final status must be determined by the people of Kashmir. China states that Aksai Chin is a part of China and does not recognize the addition of Aksai Chin to the Kashmir region. Certain Kashmiri independence groups believe that Kashmir should be independent of both India and Pakistan. Thus the conflict between India and Pakistan is supported by China which ultimately affects the relation between two countries.

7.5.1.3 India’s claim for permanent seat in UN Security Council

As the membership of Security Council signifies super power status India is desperate to get an entry into it. India stated its campaign for permanent membership of the Council in 1994 after the UN General Assembly passed a resolution in 1992. The most powerful countries viz. India, Germany Japan and Brazil, within their regional groups and key players within their regions saw themselves with a permanent seat. This group of four countries formed an interest group later known as the Group of Four (G4). The G4 countries are making united efforts to enter into the Council with veto powers proclaiming themselves ‘self appointed promoters’ for Security Council reform. All G4 nations have GDP higher than that of the current permanent member of the Security Council with lowest GDP (Russia) India is a dominant player and enjoys a vital position in G4. India has the world’s second largest population and is the world’s largest liberal democracy. It is also the world’s eleventh largest economy and fourth largest in terms of purchasing power parity. Currently, India maintains the world’s third largest active armed force and has nuclear weapons. India is the third largest contributor of troops to United Nations Peace keeping missions and most importantly it has provided
leadership to Third World Countries on diverse issues like trade imbalances and environmental degradation. It is worth to note that India is looked upon as best possible ally by US and Russia, and these relationships can counter the growing influence of China in world politics in terms of economic and military skills. Also, several countries and organizations such as Bangladesh, Chile, Australia, Czech Republic, and the African Union have openly supported India’s candidacy. Based on these credentials India has asserted its ‘natural and legitimate’ right over permanent membership of UNSC. However, the dream of India to become a permanent member of UNSC depends much on the full support of P-5 countries (US, UK, France, Russia and China). In true sense, there is no unanimity among these P-5 members regarding India’s entry into the council. Britain and France are the only two countries who have openly voiced their support for India’s inclusion, though without the veto power. Russia is regarded as a close friend of India since last six decades so Moscow is least expected to obstruct India’s entry into the council even if it is not a loud supporter of its claims. On the other side, the US position in this context is ambiguous. However, a powerful section of US policymakers feel that India is the best choice considering the changing power equations in Asia and increasing power of China. In his recent visit to India in November 2010, Barrack Obama responded very affirmatively saying “...And as two global leaders, the United States and India can partner for global security-especially as India serves on the Security Council over the next two years. Indeed, the just and sustainable international order that America seeks includes a United Nations that is efficient, effective, credible and legitimate. That is why I can say today—in the years ahead; I look forward to a reformed UN Security Council that includes India as a permanent member,” All the permanent five members of Security Council must realize that the inclusion of India as a permanent member in Security Council would give the South Asia region a stabilizing force, helping peace efforts in Central Asia and all other parts of our increasingly
connected world. Among these five countries the major obstruction is being provided by China.

China insists that the UN reform process should be slow, gradual and only through consensus and not through vote. China demands that any reform proposal to be adopted must garner support and endorsement from 90% of the member countries, which China perfectly knows are not possible under present circumstances. This stance of China reflects its apprehensions that the entry of countries like Japan and India into Security Council will greatly cripple its position as a sole Asian voice in the council. The China's permanent membership in the Security Council is the only thing which differentiates China from India and Japan. A permanent membership of Security Council and declared nuclear status make it the most important player in the international sphere. Also, it is the sole Asian negotiating partner of United States on global security matters. China also fears that with Japan and India inside, Washington, when its interest was at stake could work around Russian and French resistance and outweigh China. China has also openly criticised and called for the withdrawal of reform proposal by Group of Four (consisting Japan, Germany, India and Brazil) after the African countries rejected it.

China as such is much worried about the Japan's claim of permanent seat in Security Council. China in this fear has mentioned that Tokyo needs to win consensus in East Asia to its claims to permanent seat before it can aspire to a larger role at UN. This apprehension can be traced back to history when Japan invaded China and other Asian countries during Second World War. China is also fearful about the way Japan and US are strengthening their alliance which Beijing sees as being against it. Thus China's opposition to other three can be regarded as symbolic. However, it is essential for her to do so to stop Tokyo in getting permanent seat. While China is firmly opposed to Japan's candidature, it deliberately
remains doubtful and marginal on India's stand in order to prevent India-Japan coalition led by United States. China also fears that if it would openly oppose India's entry in Security Council that would lead to greater collaboration among India, Japan and US affecting its own interest. This strategic consideration has also prompted China to adopt more suspicious position on India's candidature helping it to balance its relation with old friend Pakistan. On the other hand India is believes that through continuous dialogue and negotiations, it would convince China to change its stand and support India's bid, keeping the economic necessities for better relation between the two countries. In 2010, S.M. Krishna (Indian Foreign Minister) and Indian President's visits to China worked little. Though China voiced support for India's bid for a non-permanent seat in 2011, it did not change its position regarding permanent seat. During the Indian President's visit no statement had been made regarding the Security Council's membership. The statement called on both the countries to work together "to increase the representation of developing countries in international affairs", but avoided any reference to Security Council which Indian Officials had sought in talks. Recently, Wen Jiabao visited India in December 2010, however, this time the statements from the Chinese Premier looked promising. The Chinese Premier in his meeting with India's Prime Minister Dr. Manmohan Singh said "China attaches great importance to India's status in international affairs as a large developing country, understands and supports India's aspiration to play a greater role in the United Nations, including in the Security Council".

India secured 187 of the 190 votes and got elected to a non-permanent seat of Security Council (elections held on 12th October 2010) for two-year term, which began on January this year. It can be called a major victory for India as it has occupied the UNSC after a gap of 18 years, which it last held 1982. Ultimately India won the non permanent seat. Furthermore, what all reforms are to be concentrated
upon by the non-permanent members are also going to be watched carefully. The recent directive of India’s Central Bank, Reserve Bank of India’s direction to Indian companies not to make payments to Iran for oil and gas through Asian Clearing Union is a step in the direction of India’s efforts for permanent membership in UNSC. A conducive atmosphere for the permanent membership of India in UNSC was reached as per the indications. Britain is already a supporter, its Prime Minister David Cameron had already made it clear, France is all for permanent membership of India in UNSC, its President Nicholas Sarkozy has no objection, only happiness for India’s cause, even USA which was not that in favour of India becoming a permanent member of UNSC, during Obama’s visit to India, he too gave assurance of US’s support, even neighbouring country China which was once not that inclined to support India’s lobbying for a permanent seat Chinese Premier Wen Jia Bao during his visit to India last month did make it clear China’s push for permanent membership and judging by these facts this is the most opportune moment for India being blessed with the prestigious position.47

China is the only P-5 member to continue to oppose the G-4’s UNSC ambitions. After US President Barack Obama endorsed India’s candidature, the US effectively stepped off the bench, leaving China as the sole dissenter. At the recent BRICS summit, China and Russia said in the joint communiqué that they "supported" the G-4’s ambitions. None of the P-5 countries are wild about changing the Security Council, but recognize that its membership represents an obsolete global order. So the Security Council issue is expected to harm the trade relations of India and China in the longer run.
7.5.1.4 Stapled Visa for the citizens of Jammu and Kashmir by China

Since last two years China has been issuing stapled visa to the citizens of J& K who wants to visit China. India has strongly opposed this decision of China. It amounts to challenging the territorial integrity of India. India has strongly protested against this policy of China. Nevertheless China has not changed its stand till date and which has become a major irritant in the relations of these two countries.

7.5.2 Economic Issues

In Sino Indian trade relations there are various economic factors which have direct effect on the bilateral trade between two countries. The two countries stand in conflict on such issues which ultimately hampers the trade.

7.5.2.1 Antidumping

The steady increase in the number of anti-dumping related disputes, both in case of industrial and primary exports, is a major area of concern could be seen from Table 5 that for the last two years, China is attracting the maximum number of anti-dumping cases. In particular, the large number of anti-dumping case lodged by EU within the frame of bilateral commercial relation should be mentioned. Since 1979 (when EU initiated the first anti-dumping case against China) it has lodged nearly 90 anti-dumping proceedings against China up to 2000, and most of the anti-dumping suits have led to relatively high duties. So implications of going into Strategic partnership of India with China needs deep analysis, as antidumping cases are relevant in this context.
Table 7.1

Major Exporters Subject to Anti-dumping Investigations

<table>
<thead>
<tr>
<th>Year</th>
<th>China</th>
<th>India</th>
<th>EU</th>
<th>US</th>
<th>Korea</th>
</tr>
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<tr>
<td>1 January 1995-31 December 1995</td>
<td>16</td>
<td>3</td>
<td>21</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>1 January 1996-31 December 1996</td>
<td>39</td>
<td>10</td>
<td>35</td>
<td>21</td>
<td>8</td>
</tr>
<tr>
<td>1 January 1997-31 December 1997</td>
<td>31</td>
<td>7</td>
<td>59</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>1 January 1998-31 December 1998</td>
<td>25</td>
<td>12</td>
<td>42</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>1 January 1999-31 December 1999</td>
<td>16</td>
<td>6</td>
<td>20</td>
<td>7</td>
<td>18</td>
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<tr>
<td>1 July 1999-30 June 2001</td>
<td>30</td>
<td>11</td>
<td>32</td>
<td>10</td>
<td>23</td>
</tr>
<tr>
<td>1 July 2001-30 June 2002</td>
<td>22</td>
<td>8</td>
<td>23</td>
<td>4</td>
<td>10</td>
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<tr>
<td>1 July 2002-30 June 2003</td>
<td>42</td>
<td>12</td>
<td>32</td>
<td>12</td>
<td>19</td>
</tr>
</tbody>
</table>

Source: WTO Annual Reports (various issues)

The growing use of anti-dumping measures on steel, chemical and textile produces is going to be costly both for China and India, and the increased market access for the last product category in particular, as obtained in the aftermath of MFA phase out, is likely to be partly nullified by it. According to Panitchpakdi and Clifford the classification of China as transition economy means that, ‘China is as
a severe disadvantage in defending itself. For the purpose of dumping charges, the United States defines it as a non-market economy... any prices Chinese companies charge can theoretically be challenged by an aggrieved competitor'. Others have also noticed this concern. India and China have already submitted a proposal to WTO over the imposition of anti-dumping duties on textile products (WTO 2003). Challenging future cases at DSB jointly by pooling resources would enhance the chances of winning for both countries. Moreover, India is slowly emerging as a major user of the provision, and China is one of its major India victims. Interesting association would enable the two countries to solve these disputes bilaterally with ease.\textsuperscript{49} India has filed 42 anti-dumping complaints at the World Trade Organization (WTO), the most by any country. 17 of those complaints were against China. China was the most frequent subject of the new investigations, according to the latest WTO anti-dumping report dated May 7, 2009.

According to data compiled by the Global Antidumping Database, the first quarter of 2009 saw an 18.8% increase in the number of antidumping, countervailing duty, global safeguard, and China-specific safeguards brought by WTO members compared to the same period in 2008. While India imposed the most import barriers under these laws during this time period, other G-20 members that did so include Argentina, Australia, Brazil, Canada, the EU and its member states, South Korea, Turkey and the United States. China's exporters are the dominant target for these newly imposed import restrictions facing new barriers in over 70% of the cases.

If a company exports a product at a price lower than the price it normally charges in its own home market, it is said to be “dumping” the product, according to WTO. Particularly in times of recession, dumping can wreak havoc on local economies. The gigantic size of India's market can make it a tempting dumping target. However, care has to be ensured that anti-dumping complaints are investigated and found to be genuine, rather than used as a cover-up for protectionist
trade policies. India has adequate anti-dumping investigation mechanisms in place, like the Directorate General of Anti-dumping and Allied Duties (DGAD), which carefully determine the normal value of imports and the extent of anti dumping measure to be levied upon the imported goods. The DGAD initiates, investigates, and makes recommendations for imposition and collection of antidumping and countervailing duty by the Department of Revenue, Ministry of Finance. In India, the national legislation on anti-dumping was enacted in 1985 and the first case of anti-dumping was initiated only in 1992. Since then, Designated Authority (DA) in the Department of Commerce has been handling anti-dumping cases. The DGAD came into existence in April 1998 in the Department of Commerce, Ministry of Commerce & Industry. The world economy is going through a financial and economic turmoil for more than a year now. This period has seen many countries including America adopting protectionist measures ("Buy American") to protect their domestic industries. Such protectionist measures help countries only in the short run, by creating jobs and business opportunities. But in the long run it causes more harm than good to the international trade. In the recent times we have seen a spurt in the number of anti dumping cases, with India being the chart topper along with other developing nations. China took the world by storm with its low-cost manufactured products. Foreign markets flooded with Chinese goods are a testimony to that. China therefore becomes the obvious target for countries initiating anti-dumping measures. Most of the anti-dumping measures have only been initiated but a final verdict is yet to be out as all these cases have to go through WTO's Dispute Settlement Body to come into effect. So it would be premature to say whether most of the cases are under protectionist measures. But at the same time there is a high probability of such a situation to occur.

Increasing imports from China have been a rising cause of concern for the Indian domestic markets. In the wake of the global
downturn, demand from China's biggest export contributor, the United States, has slackened. As a consequence of this, the Chinese economy is trying to sustain itself by thrusting its manufacturing produce into fast growing developing economies like India.

China has been increasingly resorting to measures such as dumping – it sells its products in the Indian market at very cheap prices. The result is that China has the potential to cause injury to the domestic producers. India's infrastructure does not permit it as yet to observe huge economies of scale like those of China. Having this competitive advantage, the Chinese industry is bolstering itself by diverting its products to India. But in the process, it is causing irreparable damage to the Indian domestic market and producers. China's increasing dumping activities into India are evident from a look at sectors such as rubber, steel, auto parts, and aluminium, which have been bombarded by Chinese goods and where China has taken the domestic market with a storm.

Chinese tyres sold in India are 30% cheaper than the cost of tyres produced in India. About 80-85% of the demand for tyres is met with Chinese imports. As such, the share of domestic producers in the market is a meagre 15% to 20%. Moreover, even those producers are not able to fully utilize their capacity of production due to the rising share of China in the market. For instance, imports of auto parts in the third quarter of 2008 were recorded to be 61.8% of the total demand as compared to a mere 21.8% in the first and second quarters of the same year. The share of crankshaft in Chinese imports increased from 2.3% in the first half of 2008 to 15.75% in the following quarter of 2008. We have to take significant note that the sudden increase in Chinese auto parts exports to India is in sync with the deepening of the financial crisis and slackening demand across other parts of the globe. Stainless steel products imported from China similarly have witnessed a consistent annual increase by 20-30% since the year 2006. Moreover, the imports of aluminium and
chemical products from China have expanded nearly three times, to cover a share of 15%, in the April to December period of 2008.

It is therefore evident from the facts that if the current situation continues Indian industry would cease to exist. The current situation is that China is selling its products in Indian markets at such low prices that domestic products keep losing their market share. Being unable to operate at such a large scale as China, India is left with no other option but to restrict the imports of China through suitable measures, in compliance with the norms of the World Trade Organization. Therefore it is that prominent area where both the giants need to pay special attention for the survival of healthy relations in terms of trade.

**7.5.2.2 Unfavourable Balance of Trade between India and China**

The major economic issue between the trade of two countries lie in the fact that India is facing unfavourable balance of trade from with China from so many years. India’s Imports are higher than the exports. Recently a top Chinese economic diplomat in India said, China has not intentionally sought to have a trade surplus with India and has been looking for ways to increase purchases from the country, which indicates the economic tussle between two countries. India has many a time complained that it has faced technical obstacles in selling goods to China. Therefore to increase trade with China India will have to work upon making its trade with China on favourable terms. While staying concerned over the huge trade deficit with China, The Union Minister of Commerce and Industry, Shri Anand Sharma expressed optimism that recently unveiled 12th Five Year Plan for 2012-14 of China, with a strong slant for a domestic consumer driven economy will give enormous opportunity for Indian exporters to access China’s huge consumer market in the coming years. The trade deficit for India for 2010 stood at USD 20.02 billion, more than USD 15.87 billion trade deficit in year 2009 with China.
which is an export driven economy. This gives an alarming sign to the economy. Therefore, there is a strong need to correct this imbalance so as to further boost trade relations between these two countries.

7.5.2.3 Terms of Trade

Adopting different economic development patterns, China and India have built up their own positions of strength in the world economy since instituting economic reforms. Over the past 30 years, China established itself as a powerhouse in manufacturing and the construction of infrastructure, while India became a specialist in software and IT services. But when we talk about the terms of trade of the two countries India is exporting raw material like steel and cotton to China, where as we are getting finished product from China as most of the imports. But at the global scenario it is felt that, the economic structures of China and India are in fact more complementary than competitive. India is an important partner to Sichuan Province, in terms of trade, engineering contracting, and service outsourcing cooperation, as well as an emerging investment destination and source.” Sichuan cuisine is well known in India. By 2010, India has invested in 7 projects in Sichuan, with a contracted foreign investment of USD 10.59 million and actual paid-in foreign capital of USD 6.55 million. The Province has annual trade of US$ 1.2 Billion with US$ 1.1 billion in exports to India. Exported products mainly included electrical and mechanical equipment, audio and video equipment, textiles, metal ware and chemicals. Imports from India were USD 98.39 million, including minerals, chemicals and electrical and mechanical products. In January 2011, total volume of import and export between Sichuan and India soared 41.64% over the previous year, to USD 129 million, including exports of USD 127 million, up 37.2%. It shows that the terms of trade between India and China need some revival.
7.6 ISSUES IN STRATEGIC PARTNERSHIP

India-China relations are and will continue to be complex, characterized at once by great positive potential and some highly negative possibilities. ‘Strategic partnership’ provides a useful framework for dealing with these complexities. There are several very important areas in which the two sides have, at least on paper, agreed to collaborate. But serious problems remain, with each side having concerns about the other. The two largest states in the world, which also happen to be neighbours and the world’s fastest growing economies, will interact at many different levels simultaneously. The two sides believe that they can designate the goal of their relationship as ‘strategic and cooperative partnership’ both because it is – at least in terms of publicly declared intention long-term as far as its proposed duration is concerned and because it covers issues of great importance bilaterally. Regionally and globally, to be tackled in a cooperative and not ‘Zero-sum’ spirit, this is the basis of the ‘strategic partnership’.

On 11 April 2005, Indian Prime Minister, Dr. Manmohan Singh, and the Chinese premier Wen Jiabao, signed a joint statement in which they declared: ‘The leaders of the two countries have agreed to establish a China India strategic and cooperative partnership for peace and prosperity’.

The ‘strategic partnership’ agreement did not emerge suddenly from a vacuum. There has been steady improvement in India-China relations for more than a quarter of a century with occasional setbacks. Indeed, the Manmohan Singh-Wen Jiabao agreement can be regarded as a direct successor to the Declaration of principles for Relations and comprehensive cooperation signed by the then Prime Minister Atal Bihari Vajpayee with his Chinese counterpart during his visit to Beijing in 2003. Thus, there has been not only a steady improvement of India-China relations but this evolution reflects a
national consensus in India, since the NDA and the UPA coalitions and their allies, between themselves, cover practically the whole spectrum of mainstream political parties.

In the light of the development of their bilateral relations, in order to promote good neighbourliness, friendship and mutually beneficial cooperation and taking into account the profound changes in the regional and international situation, the two sides agreed that China-India relations have now acquired a global and strategic character.51

It would appear that one important factor which, in their view, lends a strategic character to the evolving India-China relationship is their shared belief that their relations have not merely bilateral or even just regional but global significance. This is a legitimate belief based on the increasingly prominent place the two countries now occupy on the international stage. Not too long ago, strategic and economic analysts' world-wide spoke merely of the phenomenal economic achievement of China; references to India were dismissive of not only its present but also its future. Today the phrase ‘rise of China’ is rarely mentioned without hyphenating it with India. There is near universal recognition that India is also ‘rising’. The projections into the future by such prestigious bodies as National Intelligence council, USA, and Goldman Sachs, have convinced a rapid upward path. China had been as aware as everybody else of India’s Potential. This was reflected in Deng’s famous and oft-quoted (in Chinese writings) statement to Rajiv Gandhi that there would be no Asian century unless India and China develop. Today the Chinese policy makers recognize that this neighbour size is beginning to fulfil its potential.

Of course, China figures more prominently in the Indian worldview than vice versa. However, for variety of reasons, India has been raising in the hierarchy of China’s foreign policy concerns as
well. As Wen Jiabao is reported to have said to our Prime Minister 'when we shake hands, the whole world will be watching'. Apparently things have moved a little beyond the situation when Stephen Cohen could say that China does not consider India as one of the important states in the world and that India was simply not on China's 'radar screen'.

Underpinning this 'strategic partnership' is an ever more dense structure of intergovernmental agreements. Of course, many of the subjects covered in these agreements are part and parcel of normal inter-state relations, and it would be misnomer to describe them as 'strategic'. But there are several very important areas in which the two sides have, at least on paper, agreed to collaborate: in the region, beyond the region in multilateral forums, and of course bilaterally. Therefore, these are the areas which need immediate attention of both the countries so as to further cement the strategic partnership.

A) **Regional Cooperation:**

South, southeast and Central Asia is shared neighbourhoods of both India and China. Each of them brings to its presence in these areas its own specific strengths and needs. The challenge for statements is to manage a mutually beneficial co-existence in this over-lapping strategic space. One way of doing this is to work jointly within the framework of regional organizations.

Thus, when the Chinese president Hu Jintao came to India in November 2006 he and our PM stated in their joint declaration:

Recognizing that regional integration is an important feature of the emerging international economic order, the two sides agree to expand their coordination within regional organizations and explore a new architecture for closer regional cooperation in Asia. They positively view each other's participation in Asian inter-regional,
regional and sub-regional cooperation process, including in the progress towards the East Asian Community.52

We do not have to take literally their claims of viewing ‘positively each other’s participation’! India may not be entirely comfortable to have china as an observer in SAARC, and china may have been unenthusiastic about the invitation by SCO to India for a similar status, but other actors in the regions need them both as essential participants in the regional integration processes and, quite frankly, as countervailing each other.

B) Cooperation beyond the Region:

Multilateralism and the quest for multipolarity give India and china a shared agenda. There are a growing number of areas in which these two powers are working along with others.

C) Potentials of Free trade Agreement:

In June 2003, the PRC and India formed a Joint Study Group (JSG) to expand trade and economic cooperation between the two countries. The mandate of JSG was to recommend policy changes required to enhance bilateral economic cooperation and to present a report and recommendation on comprehensive trade and economic cooperation. On 21 March 2005, the JSG prepared a report on the India-PRC JSG on Comprehensive Trade and Economic Cooperation. It recommended a PRC-India Regional Trading Arrangement, covering trade of goods, services, and investments, identified common ground for trade and investment promotion and facilitation, and proposed measures for promoting economic cooperation in identified sectors. The JSG also recommended the appointment of a Joint Task Force (JTF) to study in detail the feasibility and benefits of the regional trading arrangement that may derive from PRC-India regional trading arrangement. A JTF has been set up and its first meeting was held in
New Delhi on 13 March 2006 wherein its Terms of Reference were finalized to prepare a

5-year blueprint for enhanced bilateral cooperation to be presented to the two governments to enhance bilateral trade and promote economic cooperation, the PRC is very keen to conclude an FTA with India based on complementary and comparative advantage, the way India has concluded with the host of other countries. Despite this fact, the Indian Government has expressed reservation to conclude a bilateral FTA at this moment because of its high tariff wall in the domestic economy. The Indian Business community feels that bilateral agreement is justified when there is a level playing field. The business community has expressed apprehension that since India’s tariff level is much higher than the PRC, any reduction in tariff will open the floodgate of cheaper imports from the PRC. On the other hand, PRC’s tariffs are already fairly low vis-a-vis the rest of the world and are much lower than India. Therefore, Indian producers can expect no serious market benefits after an FTA. Any reduction in PRC’s tariff will not increase India’s exports to the former in a significant way. Later on it was declared by top Chinese diplomat that a free trade agreement (FTA) between India and China is not possible in the near future “due to pressure from certain quarters”. Moreover it was admitted that India and China have more common interests than differences. The two countries are partners in development. Of course, China-India relations, like any bilateral relations, do face challenges and problematic issues but the ties between two countries have become increasingly mature and substantive. Thus there is a need for enhancing mutual trust between both the countries to move their relations forward and called for high-level interaction and cooperation. A strong and healthy economy of China and India not only brings tangible benefits to our two peoples but also serves as power engines to the world economy as a whole. But India needs to cover its unfavourable trade balance towards China before entering into such
an agreement as the risk in this situation can have negative implications on the Indian economy as a whole. Still China is moving confidently into bilateral trade agreements with numerous countries, mainly in the Asia-Pacific region. It has so far sealed 15 FTAs including those with ASEAN (2002), Hong Kong (2002), Macau (2003), Thailand (2003), Niger (2005), Chile (2006), Pakistan (2006), New Zealand (2008), Peru (2008), Singapore (2008) and Costa Rica (2010). China is currently in FTA negotiations with Australia, Pakistan, the Southern Africa Customs Union, the Gulf Cooperation Council, Iceland, Norway, Switzerland and Taiwan. Further down the horizon there is talk of eventual negotiations with Japan, India, Mongolia and South Korea.

For entering into strategic partnership with China India needs to take steps on the following issues:

- **SEZ at border points**
- **Liberal visa regime**
- **Increasing connectivity**
- **Thrashing out trade issues**
- **Resolving border disputes**
- **Signing FTA**

\[\text{MAJOR REQUISITES FOR STRATEGIC PARTNERSHIP}\]
7.7 CHALLENGES IN BILATERAL COOPERATION

There are many serious challenges, where India and China have to work out the modality so that their relations can be further taken to new heights.

1) The issue of Energy security: Energy security is emerging as a critical ingredient in the strategic perceptions of both the countries. Here is an area where, in the absence of a sensible understanding, there could be a gradually escalating a mutually destructive competition between two countries which have emerged as among the hungriest consumers of the scarce global hydrocarbon resources. And so Manmohan Singh and Wen Jiabao agreed in their joint statement to cooperate in the field of energy security a conservation, including, among others, encouraging relevant departments and units of the two countries to engage in survey and exploration of the petroleum and natural gas resources in third countries. As a follow-through to this, the then Minister of Petroleum and Natural Gas, Mani Shankar Aiyar, visited Beijing in January 2006, and signed with his Chinese counterpart a very forward-looking MOU which identified key areas for partnerships including upstream exploration and production and the refining and marketing of petroleum products and petrochemicals. It is hoped that his successors will be equally enthusiastic in pursuing this very promising element in India-China partnership. Naturally, it will not be easy for China and India whose rapidly expanding economics rely heavily on energy imports, to abandon entirely their competing strategies. And so inevitably, every now and then, we shall hear about cut-throat competition for some resource or the other. But there is a
growing awareness that neither gains by constantly seeking to outbid the other. India and China are the two fastest growing oil importers: it will serve the interest of neither if the oil exporting countries play the two against each other. Where possible, the two should share market intelligence, bid jointly for assets, etc. There would also be areas where it may be wise for both to share the risks involved on a venture, and the two presumable have an interest in working together towards elimination of the 'Asian premium'\textsuperscript{54}.

There are many other possibilities of productive India-China cooperation in the field of energy security. To make some obvious points:

(a) The two can synergize their respective strengths: China seems to be strong in areas like oil recover, and India in exploration.

(b) Since both are oil-deficit coal-rich countries, both have an interest in clean coal technology.

(c) Both have an interest in greater energy efficiency and conservation; and

(d) Both need new, economically viable, and renewable and environmentally sound sources of energy.

Clearly, therefore both stand to gain by collaborative R & D in these areas.

2) **Counter terrorism:** Another important constituent of this partnership has to be counter terrorism. The decision to initiate a regular dialogue on counter terrorism was taken during the visit to India in January 2002 of the then
Chinese premier, Zhu Rongji. There is a striking similarity in the nature of threat faced by the two countries from Islamic extremism and their respective agreement/disagreement with the US-led ‘war on terrorism’. Here, however, one has to watch to what extent China is willing to characterize as terrorists the groups inflicting violence on innocent civilians in J & K.

3) Development issues: Some very important consequences follow from the simple demographic fact that China and India are far and away the world’s two most populous nations. For a whole range of issues, the only country whose experience is really relevant to Indian conditions is China, and vice versa, because of the sheer scale involved. As they proceed along their respective development trajectories, there are some serious challenges faced by these the two countries where the two believe that sharing their experience and knowledge-pool could significantly enhance the well-being of their peoples— for instance, agriculture, water, employment, health, and environment. Quite understandably, both countries are attaching priority to scientific and technological development and innovation as a cornerstone of their efforts towards sustainable socio-economic development. During Hu’s visit the two agreed to establish a India-China partnership in science and technology, and agreed to launch joint projects in the areas of (i) earthquake engineering, (ii) climate change and weather forecasting, (iii) Nanotechnology with focus on advanced materials, and (iv) biotechnology, and so on.

Both the countries are on their way to becoming knowledge powers, and this progress may be facilitated rather than hindered by cooperation. In this context
strategic thinking must also encompass willingness to cooperate in the field of outer space where recent developments have demonstrated their growing competence.

4) **For a safer world:** Rounding off this list of areas of actual and potential ‘strategic partnership’, one would like to recall a passage in the Vajapyee-wen Jiabao comprehensive cooperation agreement: Both sides stood for continued multilateral arms control and disarmament process, undiminished and equal security for all at progressively lower levels of armament and for multilaterally negotiations aimed at nuclear disarmament and elimination of nuclear weapons. Unrealistic though it may seem at present, at some stage in the not-too-distant future, India, India and china may indeed find common cause in working together not merely against further horizontal proliferation of nuclear weapons but in making a determined push towards worldwide nuclear disarmament. This may not be as far-fetched as it sounds.

**7.8 SOME PRIMARY INVESTIGATIONS**

The information collected through primary probe, can be summed up as under:

Both the countries have interacted constructively on regional and international issues. The two countries have also enhanced co-operation in various functional areas also.

The majority of respondents were of the opinion that there are positive prospects of bilateral trade between India and China. The target set for 2015 is showing the path of increased bilateral relations.
The Free Trade Pact is seemed to be an issue where the respondents are showing negative opinion and were against the signing of Free Trade Pact. They were of the opinion that it can be a threat to the domestic market and can lead to a threat on national sovereignty. Still the prospects of the Indo China trade in future are very good and more bilateral co-operations are expected in various areas.

The prospects of the Chinese Investment in India seem to be better subject to the continuity of economic reforms, political stability, law and order etc. Chinese government seem to be very interested in investing in Indian companies.

The Chinese companies believe that major stumbling blocks for investing in India are the protectionist policies adopted by the government of India, labour laws and other restrictions on trade.

China and India are geographically proximate, are both regarded as growing countries and are both among the fastest growing major economies in the world. Together, they contain about one-third of the world's population. The economic strength of these two countries is widely considered complementary - China is perceived to be strong in manufacturing and infrastructure while India is perceived to be strong in services and information technology. China is stronger in hardware while India is stronger in software. China is stronger in physical markets while India is stronger in financial markets.

The possibilities of Sino - Indian strategic partnerships are very positive. Various MOU's in different areas have been signed by the two countries. The areas of mutual collaborations are discussed by the two governments from time to time looking for potentials of investments and collaborations.

The various suggestions made by the respondents for boosting Chinese trade in India were to resolve the boundary issue, make
negotiation for anti-dumping and to see the prospects in Trade in services. Ultimately WTO related issues, differences in nuclear perceptions, Indo-Pak relations, antidumping are the various affecting India-Chinese business relations.

Adversity sometimes can provide an opportunity to solve long-standing disputes between nations. India and China may be the world's two fastest-growing countries but their accumulated grievances have queered the pitch for an amicable economic relationship. Happily for both, macro-economic troubles that are beginning to ail both countries may just inspire a more lasting bond that would augur well for the world economy at large. At the BRICS meet in China, Dr. Manmohan Singh and his Chinese counterpart, President Hu Jintao, expressed a keen interest in strategic and economic ties. At first glance, this might appear the usual hot air that blows between two leaders thrown together at a summit; but this time around, the meeting was different; India expressed a desire to correct its trade imbalance and China seemed agreeable. Both need each other, if only to form a common front against the rising protectionism evident in the Western world despite all the rhetoric denouncing it. China needs friends to fend off the pressure to revalue its Yuan and India needs Chinese markets to bridge the trade deficit. Given the Chinese strength in manufacturing, the only way that India can equalise its trade is through IT and pharmaceutical industries. But for the BRICS members a more muscular front against trade protectionism is critical as the Doha Round edges uneasily towards collapse after 10 years of protracted and futile negotiations.
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