Chapter 3

Towards Rapprochement (1976-1991)
In the mid-seventies, significant changes took place in both Chinese and Indian internal politics. These political changes provided an opportunity for the new leaders of both nations to reassess and reorient their policies towards each other amidst the changed context of international relations. In China, Mao Zedong and Zhou Enlai passed away and the ultraleftist clique—the Gang of Four—was purged in 1976. Deng Xiaoping became the Supreme Chinese leader. Deng started to push forward the programme of Modernisation. In order to concentrate on domestic modernisation, China took steps to improve relations with the neighbours, as peaceful borders was necessary for the modernisation.

Meanwhile there was also some reassessment of India's new role and status in China. India's refusal to sign Soviet sponsored Asian Collective Security treaty went down well and convinced Chinese experts about India being independent power. The Chinese also recognised the fact that India had become the most important power centre in South Asia after 1971, and that no combination of other South Asian countries could balance India. Therefore, demand for the improvement of India–China relations gradually became strong.
The first reason was Chinese perception that Indo-Soviet friendship was linked with India-China hostility, and improvement of India-China relations was seen as being conducive in distancing India from the Soviet union. It was necessary for China to create a positive atmosphere for India-China bilateral relations in the face of Sino-Soviet confrontation and India-Soviet friendship. It was eloquently proved when the Soviets reminded India of various Chinese hostile activities and warned that the real Chinese objective was to weaken Soviet-Indian friendship.¹

The second was related with China’s security considerations on its western front, especially in Tibet. Political unrest and ethnic strife kept the situation in Tibet far from normal. The Dalai Lama and thousands of refugees from Tibet were living in Indian territory. Security on the western front apparently required India’s cooperation and this meant improved India-China relations.

Finally, the American defeat in the Vietnam war and its growing domestic crisis forced the United States to reduce its presence in East Asia. Chinese leaders were concerned about Soviet efforts to fill the power vacuum by proposing the Asian Collective Security regime. Vietnam began to lean towards Soviet Union and took steps to bring all Indo-China under its own control, excluding Chinese influence there. Under such circumstances, it was imperative for China to take steps diplomatically to stabilise

India-China relations in order to foil the perceived Soviet designs in the Asia-Pacific region.

During the Lok Sabha debate on Demand for Grants of Ministry of External Affairs for the year 1976-77, a member of Communist Party, Shri Samar Mukherjee stated that:

We want that Government of India should take a policy decision to improve relations with China. The Government of India should send an Ambassador to China of their own and create an atmosphere so that some dialogue can be started with China and relations can be improved.²

Intervening in the debate the Minister of External Affairs Mr. Y.B. Chavan, stated that:

In the case of China, we should try to make some efforts to improve relations. I hope there will be some response. I do not want to say anything more than that. We should make efforts, because these are two land masses living together for centuries. Geography has put us near each other. I do not think we can select our neighbours.³

On 15 April 1976, External Affairs Minister, Y. B. Chavan, announced in the Lok Sabha appointment of Shri K.R. Narayanan as India's Ambassador to the People’s Republic of China. He further informed the House, that the initiative for raising the level of India’s diplomatic representation in Beijing would be followed by a similar move by the Government of the People’s Republic of China.⁴

² Lok Sabha Debates, vol.60, 1976 Col.137.
³ ibid, Col.107.
⁴ ibid, Vol.60, 1976, Col.104.
India's initiative was universally welcomed and was a significant step forward in improving relations with China. The Indian Ambassador to China assumed his duties in July 1976; China responded quickly and Chen Chao-yuan was appointed PRC's Ambassador to India in July, 1976. In his first official statement, the Chinese Ambassador stated that full normalisation of Sino-Indian relations through joint efforts was in full accord with the interests of the people of the two nations, and expressed the hope that the friendship between the two nations would grow further and the bilateral relations would improve.5 In September, 1976 when Mao Zedong died, Premier, Mrs. Gandhi extended condolences. She sent a message to her Chinese counterpart stating, "Mao was an eminent statesman who led the resurgence and progress of the Chinese people".6

In the general election of 1977, the Janata Party defeated the ruling congress Party. China welcomed inauguration of the first non-congress union government. The Chinese premier, Hua Kuo-feng sent a congratulatory message to his new Indian counterpart, Morarji Desai and hoped that, "the traditional friendship between the peoples of China and India would develop".7

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7 ibid, no.15, 8 April 1977, p.8.
There was some hope in China about a reorientation in India's foreign policy at this time. Apparently it seemed that the Janata Government's commitment to "genuine non-alignment" encouraged China. Afterwards China started sending feelers to India. A delegation of the Chinese People's Association for Friendship with Foreign Countries led by Wang Bingnan, visited India in March, 1978 at the invitation of the All India Dr. Kotnis Memorial Committee. Wang met the Prime Minister, Morarji Desai and other dignitaries during the visit of the delegation. In his meeting with External Affairs Minister, Wang conveyed an official invitation to Indian External Affairs Minister Shri Atal Behari Vajpayee to visit China. Later, Huang Hua, the Chinese Foreign Minister formally reiterated the invitation to Vajpayee to visit China. Vajpayee in principle accepted the invitation maintaining that the visit would materialise "at an appropriate time after careful and adequate preparation.

China and India, however, had different positions as to the modus operandi of normalisation of relations. In the words of a noted expert:

India continued to reiterate its desire to work for removing irritants in order to tackle mutual problems in a climate of mutual respect and dignity, but stressed that resolution of the boundary question was central to the restoration of confidence and full realisation of normalisation between the

9 Quoted in V.P. Dutt, *India's Foreign Policy* (New Delhi, 1984), p.292.
two countries. China maintained, on the other hand, that the boundary question was a complex one bequeathed by history and efforts needed to be made to improve bilateral relations seeking common ground and reserving differences. This would, in turn, generate a favourable atmosphere for the resolution of the dispute when time would be ripe for its settlement.\(^{11}\)

Indian External Affairs Minister Shri A.B. Vajpayee visited China in February, 1979, where he exchanged views with Chinese leaders on normalisation of Sino-Indian relations. Vajpayee identified the border problem as the key obstacle to normal Sino-Indian relations and made it clear that India considered its resolution essential. Chinese Vice Premier Deng Xiaoping said: “We should seek common ground while reserving our differences. As for the boundary question, we can solve it through peaceful consultation. This question should not prevent us from improving our relations in other fields”\(^{12}\). Foreign Minister, Huang Hua held talks on three occasions with his Indian counterpart. In his meeting, Vajpayee referred to China’s support to Naga and Mizo insurgents in north-east region. He received satisfactory assurances for stopping such support from the Chinese government.\(^{13}\) The five principles of peaceful co-existence were reaffirmed as the basis of normalisation of bilateral relations and settlement of the border dispute.

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12 *Beijing Review*, no.8, 23 February, 1979, p.4.

However, the positive momentum of Vajpayee’s visit was halted by China’s attack on Vietnam while the Indian External Affairs Minister was still in China. Vajpayee cut short his visit and hurried back home. In the face of intense public pressure, particularly harsh criticism in parliament, the Government of India’s stance towards the Chinese armed attack became harder and it finally denounced the Chinese action as an aggression against Vietnam. In terms of concrete gains, the Chinese assurance of stopping support to insurgency in northeast and the friendly gesture of reopening the two Hindu holy places, Kailash and Mansarovar (inside Tibet) to Indian pilgrims was one step forward in bilateral relations.

Notwithstanding the developments in Vietnam, Chinese anticipation of a basic change in India’s foreign policy with the coming into power of the Janata government proved to be wrong. China underestimated Indian nationalism and the fact that in India no political party was prepared to make any substantial compromise on the border issue. Thereby, India demonstrated that it was in no hurry to force the pace to suit the Chinese interests. In July, 1979 the Janata regime collapsed in India and Mrs. Indira Gandhi staged a comeback to power in January 1980.

By the beginning of 1980’s, China was moving away from the old rigidities of Maoist era. The Chinese Premier, Hua Guofeng, on 15 January, 1980 extended warm congratulations to Mrs.
Gandhi, on her assumption of the office of premiership.\textsuperscript{14} Further, on 26 January 1980, Huang Hua attended India’s Republic Day Celebration at the Indian embassy in Beijing. This was the first time in 20 years that the Chinese foreign minister had graced the annual event. Hua stressed that, “the present turbulent and tense international situation places a greater obligation on both China and India to promote mutual understanding and cooperation.”\textsuperscript{15}

The turbulent and tense international situation, which the Chinese foreign minister was referring to started in the late 1970s; the Iranian and Afghan revolutions, followed by the entry of Soviet troops into Afghanistan; disturbed the existing strategic balance in West Asia and South Asia. The Soviet Union also succeeded in bringing Indo-China within its sphere of influence with Vietnam as its ally. India and China differed considerably on the issues of Afghanistan and Vietnam’s role in Cambodia.

Yet both the countries had been realising for some time the need to get away from a conflictual relationship and to reduce the tensions. Mrs. Gandhi soon realised that any policy of leaning toward the Soviet Union would not serve India’s long term security interests. She wanted to reap the benefit of greater diplomatic flexibility by expanding India’s ties with the United States, and by seeking improved relations with China. They also agreed that

\textsuperscript{14} Summary of World Broadcasting (here after SWB) FE/6321/I, 17 January, 1980.

\textsuperscript{15} Beijing Review, no.5, 4 February 1980, p.4.
continued efforts to normalise India-China relations would help maintain the strategic balance of the big powers in South Asia. China, on its part, realised that the more it denounced India, the closer it would push towards the Soviet Union. A tactical approach of softening India and thereby diminishing Indo-Soviet relationship could be more fruitful. With the emergence of Deng Xiaoping as the Supreme leader of China and launching of modernisation, this thinking was in consonance with the general thrust of economics taking precedence over politics. China required a peaceful international environment, with emphasis on good relations with its neighbouring countries, for successfully carrying out their economic reforms.

These changes were still in their incipient phase. It was between 1980 and 1984 that the changes gathered full steam. From 1982 onward, since the 12th party congress adopted “independent foreign policy”, China began to cultivate balanced relations with both Superpowers U.S.A. and U.S.S.R. China now advocated idea of “peaceful coexistence” and no longer believed that a global war was inevitable. This adjustment in China's relations with the two superpowers was apparently conducive to weakening Soviet opposition to the Sino-Indian thaw and alleviated Indian fear of the American-China-Pakistan axis against India. The development augured well for India-China relationship.

Meanwhile in June 1980, the Chinese leader Deng Xiaoping revived Zhou Enlai’s “package proposal” of 1960 by proposing that India and China settle their border dispute on the basis of the present line of actual control and abandon their respective claims in the eastern and western sectors.\(^{17}\)

However the package deal was not acceptable to India because it sought to legitimise Chinese occupation of territory in western sector between 1959 and 1962 without offering any territorial compensation to India. Therefore, acceptance of the deal was seen as being tantamount to letting the Chinese retain the territorial gains of the aggression of 1962. Reacting coolly to the proposal, the External Affairs Minister, Shri Narasimha Rao submitted in the Lok Sabha on July 1980 that ways other than the package solution could prove more ‘effective’. India, on its part, hoped to settle the border question in a spirit consistent with national honour and interests of both sides on a basis of equality. It, however, considered the fact of the two governments coming to grips with the long standing and complex border problem after a considerable lapse of time as a positive step.\(^{18}\)

The direct contacts at highest political level took place at Belgrade where both Indira Gandhi and Hua Guofeng attended the funeral of great Yugoslav leader Marshal Tito.\(^{19}\) This was the first


\(^{18}\) Quoted in Nancy Jetly, n.11, p.56.

\(^{19}\) SWB, FEE/6416/I, 10 May 1980.
meeting at the Prime Ministerial level between the two countries since Zhou Enlai's visit to India in 1960 and both leaders agreed to continue with the process of improving relations. Both sides stressed that better Sino-Indian relations were essential to peace and stability in Asia and there was need for mutual consultations as also avoidance of confrontation for an amicable solution of their bilateral problems.

Another major step in this direction was the visit of Vice Premier and Foreign Minister, Huang Hua to India on 26 June, 1981. It was the first important visit to India by a Chinese leader since the late Premier Zhou Enlai's visit in 1960. During his New Delhi visit, Huang Hua had extensive talks with Indian leaders on international and bilateral issues, including the border issue. They agreed that friendly and sincere talks would promote mutual understanding reduce differences and increase points of mutual agreement.20 China agreed that the border was a vital issue that could not be just shelved but had to be resolved, and both sides agreed that their officials should resume the talks on the vexed issue. In a press conference in New Delhi on 28 June, Huang Hua proposed that pending a settlement the two sides should maintain the status quo on the borders and tranquility in the border areas. Hua stated both sides should actively promote contacts and cooperation in all domains. He further stated: "Both China and

India are big countries in Asia and both are developing countries. China is willing to develop friendly contacts with India in numerous areas and to study and learn from each other.²¹

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A tangible gain ensuing from the visit was the decision to hold official level talks regarding both 'bilateral problems and bilateral exchanges', which apparently followed an understanding between the two sides that border settlement, although central to full normalisation of relations, need not be made a precondition for improvement in relations in other areas.²² Thus the process of normalisation was underway but it was a long and tortuous one.

Problems continued between India and China as was proved by coupled incidents. In October 1981, China refused to give visa to a member of the Indian Parliamentary delegation, TL Rajkumar, Speaker of the Arunachal Pradesh Assembly to an Asian Conference of Parliamentarians on Population and Development. China's official news agency stated that the "So-called Arunachal Pradesh" had been set up in the Chinese territory of some 90,000 square kms. South of the McMahon line which India had "illegally occupied". The Chinese Government had always "resolutely refused" to recognise Arunachal Pradesh, and therefore China could not approve of India sending a person in such a capacity to

²² Nancy Jetly, n. 11, p.58
participate in the conference in Beijing. Only a threat of cancellation of entire Indian delegation's participation in the conference had a desired affect on China and it issued a visa.

The first round of India-China official level talks was held in Beijing from 10 to 14 December, 1981. The talks consisted of three plenary sessions and of subgroup meetings devoted to boundary issue, trade and economic cooperation, cultural exchanges and science and technology. No progress was made in narrowing differences on border questions; rather, both parties were content to restate previously enunciated positions. China expressed its willingness to conclude a comprehensive agreement, involving China's recognition of the McMahon Line as the eastern sector boundary and India's surrender of claims to the Aksaichin. India considered this arrangement unacceptable.

India then suggested that the 1962 Colombo proposals serve as a starting point for negotiations but China stated that Colombo proposals were out dated. India then urged that the various border issues be treated as discrete entities. Such an approach would entail an initial concentration on readily solvable matters, thereby creating a positive atmosphere for discussions on contentious

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23 Xinhua (Beijing) 17 October 1981.

western sector. This plan was rejected by China. Later on, the Indian External Affairs Minister, Narasimha Rao stated, "It was not our anticipation that it would be possible to make substantive progress in the first round we may, however, regard the fact of the meeting itself, the first on this subject in twenty years, as a positive step". The second round of talks was held from 16 to 20 May, 1982 at New Delhi. The leader of the Chinese delegation, Fu Hao emphasised the need to expand cooperation in scientific, technical, and cultural fields. The Indian side clarified New Delhi's bargaining posture on a number of points: the development of Sino-Indian relations in such fields as reciprocal trade would be severely inhibited by absence of progress in the border talks; India regarded the McMahon Line as the boundary in the Easter sector; and India's incorporation of Sikkim was not subject to debate.

The May 1982 discussions were structured along the lines of the first round talks, involving plenary sessions and subgroup meetings on the border issue, cultural relations, science and technology and trade and economic cooperation. China again stressed the need for a comprehensive settlement transforming existing lines of control into permanent boundaries. India on its part, called for a sector-by-sector approach.

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25 India Today (New Delhi), 31 January 1982, p.100.
26 India and Foreign Review (New Delhi), XIX, 6, 1982, p.4.
27 Patriot (New Delhi), 19 May 1982.
28 Elkin and Fredricks, n.24, pp.1133-34.
The Chinese side proposed five-principles as the basis for settling the border problem and the Indians came out with six working propositions, including besides general principles, some specific procedural and preliminary steps. China suggested that boundary definition should rest on the following concepts: equality, friendly consultations, mutual understanding and accommodation, a fair and reasonable settlement; and a comprehensive solution. India, in turn, submitted the following working propositions; a solution must be found as soon as possible, the solution should be just, taking into account the legitimate interests of both sides, a commonly agreed upon approach and basis for negotiations should be found, the proposals advanced by either side, as constituting an approach to the problem should be considered by the other. It was also held that it was necessary to consider steps to create a propitious atmosphere; and efforts should be made to settle the border issue in each aspects of each sector.

It was clear that progress of normalisation between the two countries remained slow and halting. The Indian Prime Minister, Mrs. Indira Gandhi stated quite frankly that "we cannot pretend that bilateral relations between India and China have been good.

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29 Hindu (Madras) 16 May 1982.
30 Elkin and Fredricks, n.24, p.1139.
The issues between us are most difficult and even emotional. But nothing can be solved without basic goodwill and effort.31

Slowly but surely India's position evolved around more or less to the Chinese position that bilateral relations be improved in various spheres while the border issue remained frozen. With options being limited for India, it could only try to maintain the pressure in China to take the border issue seriously. As the President mentioned in his address to the Parliament in 1982, "Further steps have been taken to improve relations with China. Following the visit of the Chinese Foreign Minister during this year, an official delegation went to Beijing to discuss international and bilateral issues including the question of boundary".32 In October, 1982 Chinese Premier Zhao Ziyang told a delegation of the India-China society that China and India were large Asian countries that could exert great impact on the world. The 1950s was a period of good cooperation, he said, and "the two peoples both miss that period." He further stated: "We will never forget the help they rendered the Chinese people when we were in difficulty. We hope the seeds of friendship sown by them will blossom with beautiful flowers".33

32 Lok Sabha Debates, vol.24, 1982, Col.11.
33 Asian Recorder (New Delhi), 1982, p.16, 882
In 1983, Mrs. I. Gandhi welcomed a high level delegation led by Zhu Dunan, Vice President of the Chinese People’s Association for Friendship with foreign countries. She said there was immense scope for cooperation if only both the countries came closer. The problems between the two could be overcome by creating a “spirit of friendship” she told the Chinese delegation.34

The third round of talks was held in Beijing from 29 January to 2 February, 1983. These also yielded no substantial progress on the issue because of differences in positions.35 The familiar position of China offering a fair deal through its package and India rejecting it out of hand were made. Later on, the Minister of state of External Affairs stated:

At the official level talks both sides have been able to state their fundamental positions on the boundary question and to make an effort to deal with the differences between them, which remain wide. They have also been able to work out measures for cooperation in cultural and other field’s”.36

In this round, on the boundary question, an attempt was initiated by the two sides to evolve a mutually agreed set of principles to serve as guidelines for future discussions.37

The two delegations had a serious exchange of opinions in order to seek common ground. The Chinese delegation put forward

34 National Herald (New Delhi), 13 February 1983.
35 ibid, 4 February 1983.
36 Lok Sabha Debates, vol. 34, 1983, Col.84.
a draft containing points common to each country's approach to the boundary issue. Both countries, the draft read, agree on: Adherence to the Five Principles of Peaceful coexistence; the desire for an early settlement through consultations in a spirit of friendship and equality; the need to consider the history, existing conditions and national sentiments of each country; and the maintenance of peace on the border before a settlement is reached. As for India's approach to resolve border issue from sector to sector basis, a Chinese official stated, "it is in favour of a comprehensive settlement, but does not oppose separate discussions on the east, middle and west sectors of the boundary if this may lead to an overall settlement". On how far geographical features like water-sheds, river valleys and mountain passes were to be taken into account, the two sides presented different formulations which could not be reconciled during the talks. As a result, final agreement could not be reached on this set of guidelines. A new element introduced in the fourth round of talks related to a general exchange of views on the international situation, which proved to be a useful exercise towards improving mutual understanding.38 As the Minister of External Affairs, Shri P.V. Narasimha Rao stated in Parliament:

On the boundary question, detailed discussions were held an attempt was made to evolve a mutually acceptable set of principles to serve as guidelines for future discussions. While some common ground was covered, differences on certain vital aspects remained which would be taken up in

38 China Daily, 24 October 1983.
the next round of talks. On cooperation and exchanges in other aspects of bilateral relations, the ground was prepared for these contacts during 1984. The exchange of views on the current world situation was a useful exercise resulting in a better understanding of each other's perception of the international situation today".39

Undoubtedly, links between the two nations were picking up showing and a more accommodative approach towards each others point of view. But so far as the border issue was concerned, there was no progress.

The fifth round of talks followed in Beijing from 17 to 22 September, 1984. The Chinese delegation was headed by Gong Dafei, adviser to the Foreign Ministry and the Indian delegation by Secretary of External Affairs Ministry K.Natwar Singh. In this round it was reported that differences had been narrowed.40 What exactly this amounted to was not clear. There was a discernible attempt to find words and phrases more acceptable to both. Chinese vice premier, Wan Li expressed his hope that before agreement was reached on the boundary question, China and India would continue to ensure the tranquility and peace on the border of the two countries. He said the fifth round of talks progressed quite well and the two sides had reached agreement on several issues". It did not matter that there were still some differences

40 Indian Express (New Delhi), 23 September, 1984.
existing between the two countries", he said, adding that they could be resolved later.41

Later, the Minister of State for External Affairs, Khurshid Alam Khan informed the Parliament that on the boundary question, both sides had directed their efforts at evolving a set of common principles that could serve as a basis for reaching an understanding on a final settlement. Differences on certain aspects had been narrowed down and both sides had agreed to commence substantive discussions on the boundary question during the next round of official level talks.42

The assassination of Prime Minister Mrs. Indira Gandhi on 31 October, 1984 “Shocked” China.43 The Chinese Premier Zhao Ziyang paid tribute to Mrs. Gandhi for her efforts to improve Sino-Indian relations. He further stated: “We hope that the two sides will make efforts to keep this momentum going and try to restore the friendly relationship to the level of the 1950s”.44 Prime Minister, Rajiv Gandhi received Vice-Premier, Yaoyiling on 4 November and reiterated that his government would continue to follow past policies. He also accepted Zhao Ziyang’s invitation to visit China.45

Due to efforts from both sides, the process of normalisation of India-China relations was not halted by a change of India’s

42 Lok Sabha Debates, vol.7, 1985, Col.143.
43 China Daily (Beijing) 1 November 1984.
44 ibid, 2 November 1984.
45 Beijing Review, no. 46, 12 November 1984, p.11.
political leadership. In his annual address to the Parliament on 17 January, 1985, the President Stated: "Our relations with China have shown improvement. We shall preserve in seeking a solution to the boundary question".46

On the eve of the 35th anniversary of the establishment of diplomatic relations, Premier Zhao Ziyang in a message to his Indian counterpart said: "India was one of the first countries to establish diplomatic relations with the PRC. I am pleased to note that in recent years marked progress has been made in the relations between our two countries, thanks to our joint efforts."47 Rajiv Gandhi in his message noted that India and China were both developing countries with large populations and great future potential. In the "immense tasks" before them, there were many areas in which they could cooperate to their mutual benefit. They could resolve the outstanding problems on the basis of Panchsheel through their joint efforts.48 In June 1985, China proposed that both sides should reciprocally reopen consulates in Lhasa, Shanghai, Bombay and Calcutta, which had been closed since 1961 and resume the long suspended Sino-Indian border trade.49

Prime Minister Rajiv Gandhi was on his part, also keenly interested in speeding up the process of normalisation of ties with

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46 *Lok Sabha Debates*, no.1, 1985, Col.7.
47 *China Daily*, 1 April1985.
48 Indian Express, 1 April 1985, 1985.
49 Nancy Jetly, n.11, p.59.
China. His first meeting with the Chinese Premier, Zhao Ziyang was in New York in October, 1985 where both had gone to participate in the 40th anniversary meeting of the United Nations.\(^5^0\) Both agreed to resolve the border problem. Zhao stated that the border question was a legacy of history, but Mr. Gandhi interjected by stating that it was a key point in their relationship. Both the Premiers agreed that there was need to push forward the efforts to find a solution and to promote friendship between the two countries. Zhao reiterated his country's invitation to Rajiv Gandhi to visit China. Premier Gandhi welcomed the suggestion but stated that such a meeting could be fruitful only if solid preparatory work preceded it.\(^5^1\)

The sixth round of talks was held in New Delhi from 4 to 11 November, 1985. In this round, both sides adopted a sector by sector approach and explained their respective positions on the Eastern sector of the India-China boundary.\(^5^2\) The two countries stated their views on the substantive issues relating to the eastern sector of the disputed border and decided to discuss in detail, those related to the middle and western sectors in the next round. Further, the Chinese also put forward their long standing claim that the traditional boundary line to the east ran well south of the

\(^5^0\) Quoted in Surjit Man Singh and Steven I Leveine, “China and India: Moving Beyond Confrontation”, *Problems of Communism* (Washington), 38 (2-3), March-June 1989, p.36.


McMahon Line, that is, the Himalayan crest. Thus, far from the expected break through, China introduced a new element by demanding territorial concessions by India in the eastern sector.\(^{53}\) The Chinese sources stated: “Both sides had substantive discussions on the boundary and elaborated their respective position on the issue. They agreed that the discussions were useful and conducive to seeking a solution to the boundary”.\(^{54}\) The two sides removed an irritant in bilateral relations by resolving the issue of Indian embassy’s property in Beijing seized by the Chinese in 1967. The issue of compensation was also sorted out.

Later informing the Parliament on discussion at sixth round of official level talks, the Foreign Minister, B. R. Bhagat stated:

> The Indian and Chinese delegations held substantive discussion on the India-China boundary questions. Adopting a sector-by-sector approach, both sides clarified their respective positions on the Eastern Sector of the boundary. It was agreed that substantive discussions on the boundary would be continued in subsequent rounds with a view to reaching an early and comprehensive solution covering all sectors of the boundary”.\(^{55}\)

Some five or four days before the seventh round of talks was to open, the news of Chinese intrusion in Arunachal Pradesh was published in newspapers. On 18 July, 1986 the Minister of External Affairs, Shri P. Shiv Shankar informed the Parliament: “Honble members are by now aware of the Chinese intrusion in the Sumsorong Chu valley area of Tawang district of Arunachal Pradesh. After verification of the intrusion, we protested strongly to the Chinese government on 26th June, 1936. We stressed that the area of the Sumsorong Chu valley is

\(^{53}\) Hindu, 11 November 1985.  
\(^{54}\) China Daily, 13 November 1985.  
\(^{55}\) Lok Sabha Debates, vol.10, 1985, Col.34.
clearly south of the McMahon Line and well within Indian territory. We rejected the Chinese response received on 8 July, 1986 that this was a disputed area and on their side of the McMahon line. The McMahon Line constitutes the international boundary in this sector. The Chinese have conveyed that the matter could be discussed 'intensively' at the forthcoming Seventh Round of official level talks in Beijing. We propose to do so".56

The seventh round of talks was held from 21 to 23 July, 1986 in Beijing. According to available information, the location of the area in dispute was discussed intensively, but without any resolution of the problem.57 India's deep concern over the Chinese intrusion in the Sumdorong Chu Valley area of the Tawang district of Arunachal Pradesh was conveyed to the Chinese Side during the talks. India stressed that the Chinese Side should do nothing to aggravate matters and disturb the status quo.58 The Minister of State of External Affairs, Shri K.R. Narayanan, later told the Parliament that:

At the seventh round of official level talks substantive discussions were continued on the Eastern Sector of the India-China boundary. Thereafter, discussions commenced on the western sector. The Chinese side reiterated that the eastern sector was the area of 'largest depute'. In response, the Indian side clearly enunciated its well known stand that the India-China boundary in the Eastern Sector is the traditional customary line, which has received the additional sanction of treaty and administrative jurisdiction.59

57 Hindu, 2 August 1986.
59 Lok Sabha Debates, vol.19, 1986, Col.94.
Meanwhile, in December 1986, the Indian Parliament approved a bill that conferred full statehood to Arunachal Pradesh. From the Indian standpoint this was only the logical conclusion of a process begun by the British Frontier Agency (NEFA) was made the Union Territory of Arunachal Pradesh in 1971. China, however, saw it as a possible legal erosion of its claim in the eastern sector and accused India of 'deliberately' creating obstacles. China lodged a strong protest against this act of India. India, on its part, accused China of interfering in India's internal affairs and reiterated Indian sovereignty over Arunachal Pradesh.

The reports of military exercises in both the eastern and western sectors and of the visit of senior generals to Arunachal Pradesh only heightened tension between the two countries. General K. Sunderjee, the Army Chief organised operation Chequer Board (October 1986-mid March 1987) on the China border under which more than ten army divisions and the air force were involved. The troops fanned out all along the border and took positions. The Chinese reacted by taking positions in dangerous proximity to the Indians. Further China augmented its military presence in eastern Tibet. Almost all the ingredients of a major showdown were fast assembling. In fact, speculation about a

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60 *Hindu*, 10 December, 1986.


62 Very little exists in the public domain about operation Chequer Board. The only book on the Subject is Ravi Rikhye's, *The War That Never Was* (New Delhi, 1989).
second border war between India and China became common place and quite alarming.\textsuperscript{63}

However, contrary to what was predicted in some quarters the military conflict did not materialise. The explanation lay partly in the fact that the overt display of military power had effectively neutralised any adventurist step. More important was the fact that hostile intent was conspicuously missing from the high tension that prevailed. Both governments tried to play down the crisis generated by military reinforcements on the borders. In April 1987, a scheduled transit halt of the Defence Minister, K.C. Pant at Beijing was utilised to convey India's manifest desire for peace. Later in June, Indian External Affairs Minister, N.D. Tiwari made a point of stopping in Beijing on his way back to New Delhi from a Non Aligned nations meeting in Pyongyang. The objective of Tiwari's brief talks was officially declared as: "to convey the desire at the political level that we want an improvement of all round relations, that we are determined to seek solutions to the boundary question peacefully through negotiations and that pending the solution, both sides, should do every thing to maintain peace and tranquility".\textsuperscript{64}

The events of 1986 and 1987 a new determination to go in for fresh initiative to push forward process of India-

\textsuperscript{63} Neville Maxwell, \textit{Towards India's Second China-War, South} (London) May 1987, pp.80-83.

\textsuperscript{64} \textit{Hindu}, 17 June, 1987.
China normalisation. India’s Minister of External Affairs, Shri N.D. Tiwari stated in the Lok Sabha that it was necessary for both sides to find a solution to the problems through peaceful negotiations, consultations and in a manner that ensures the maintenance of peace and tranquility all along the boundary.\(^65\) Prime Minister Rajiv Gandhi stated on 3 March, 1987 in Parliament:

> There has been tension on our border with China. We want a peaceful settlement of the border issue. It will need wisdom and statesmanship. It will need vision and firmness. Firmness is included in wisdom . . . It is this perspective that should guide our two countries in seeking a solution to the problem.\(^66\)

Thus Rajiv Gandhi hinted of a new approach in India’s policy of improving relations with China.

Rajiv Gandhi’s new approach to China was part of the general trend of transition in world politics from hostility and confrontation to détente and dialogue. With the thaw in Sino-Soviet relations, the Soviet leader Gorbachev, who initiated Perestroika and Glasnost in Soviet Union; emphasised China’s role in Asian and world affairs and encouraged India’s efforts to improve Sino-Indian relations\(^67\). The cumulative effect of the change in the international and regional climate on India-China relations was distinctly positive.


\(^{67}\) Beijing Review, no. 49, 5 December 1988, p.12.
Subsequently, the eighth round of talks was held from 16 to 18 November, 1987 in New Delhi. The Chinese stated that a fair and reasonable settlement of the border issue could be achieved through friendly consultation and in a spirit of mutual understanding and mutual accommodation. India stressed that time was needed to find a settlement of the border issue due to its complexity.

The New Delhi talks put a formal seal on the general understanding that a political initiative was being seriously considered. There was a growing awareness within the country about the pointlessness of clinging to outmoded positions in the conduct of negotiations which had proved to be sterile in terms of concrete results. There was a general feeling that “it is not the border talks that have to be taken to a higher political level. It is meeting at the highest political level that would lead in time to progress in border talks”. 68

By 1988, Rajiv Gandhi enunciated a new approach in India’s policy towards China and replying to a debate in the Lok Sabha, he stated on 20 April:

With China we have been endeavouring to improve our relations. We are building a climate of trust, looking for a new and productive phase in our relationships. We recognise that the process of normalisation is complex. The border question needs peaceful negotiations. It needs mutually acceptable outcomes and we need to keep in mind the national

sentiments in both countries. The maintenance of peace and tranquillity on our borders becomes vital while we talk of long term settlement we are strengthening cooperation in many fields with China. We are glad that the efforts to normalise have been welcomed by all sections of the House. We have accepted in principle that I should visit China on their invitation.

The Chinese leadership responded with enthusiasm by early 1988 to the proposal for a visit by the Indian Prime Minister. Talking to the India External Affairs Minister, P.V. Narasimha Rao in New York on 4 October, 1988, his Chinese counterpart, Wu Xueqian told him that Rajiv Gandhi’s visit would prove to be a turning point in the relations between the two countries.

Later, the Minister of External Affairs, P.V. Narasimha Rao stated in the Parliament in November 1988:

The dialogue is an ongoing one pending a lasting peaceful and mutually acceptable solution of the boundary question, it has been agreed that peace and tranquility should be maintained all along the border. Further talks will be held when the Prime Minister visits China.

III

The state visit of Prime Minister Rajiv Gandhi to China in December, 1988 was a definite step towards speeding up the sluggish process of normalisation. Premier Gandhi visited China

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70 Times of India (New Delhi), 6 October 1988.
71 Lok Sabha Debates (New Delhi), vol. 43, 1988, Col.165.
from 19th to 23rd December, and this was the first visit to China by an Indian Prime Minister in 34 years. Gandhi set the tone by declaring: "it is now time to look to the future, I have come to renew an old friendship". Deng Xiaoping, the top Chinese leader said that "China and India should forget the unpleasant past and set their eyes on the future." Premier Li Peng was Rajiv Gandhi's major interlocutor during the visit, and their discussions focussed on the substantive issue of the border, Tibet, bilateral relations and international situation. Premier Li accepted Gandhi's invitation to pay a return visit to India.

During the visit the two sides had "in-depth discussions" on the Sino-Indian boundary question and agreed to settle it through peaceful and friendly consultations. In his banquet speech, the Chinese Premier, Li Peng dealt with the boundary question by restating the known Chinese position of seeking "a fair and reasonable settlement in a spirit of mutual understanding and mutual accommodation". In reply, the Indian Prime Minister observed that the boundary question needed an enduring solution based on an understanding of each other's point of view which would be in their mutual interest and to the benefit of both peoples.

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74 *Times of India*, 20 December 1988.
On 22 December, India and China decided to set up a Joint Working Group (JWG) on the boundary issue headed by the Foreign Secretary on the Indian side and a Vice Minister of Foreign Affairs on the Chinese side. The Joint Working Group was a step forward from that of official level in that it had joint mandate. Further, the JWG was expected to include military personnel and other experts, who were to be directed by political leadership. The Joint Working Group had two important functions. First, to make concrete recommendations for the overall solution of the boundary question. Secondly, the group would ensure that peace and tranquility was maintained in the Line of Actual Control.75

The two sides also agreed to develop relations in other fields and to set up a joint group on economic relations and trade, as well as science and technology. The two countries signed three accords on cultural scientific and technological cooperation as well as civil aviation.76

But the real gains of Rajiv Gandhi's visit were perhaps more in the intangible category. The long handshake with Deng Xiaoping reflected the intangible new spirit that Rajiv and Deng were trying to infuse into the India-China relationship. As a result, there was a major push forward in the process of India – China normalisation. As Deng told Gandhi that "starting from his visit, China and India

75 Patriot, 23 December 1988.
will restore friendship between the two countries, peoples and leaders.\textsuperscript{77} Rajiv Gandhi himself assessed his visit as a turning point in mutual relations. He admitted that differences still remained but India would like to broaden areas of common interest.

In his annual Address to the Parliament 21 February, 1989 the President stated:

"With the Prime Minister's recent visit to China, we have embarked on a new and positive phase in our relations with that country. The cordial and constructive discussion held with Chinese leaders have opened the way for a stable, peaceful and mutually beneficial relationship between the two countries. This is a development of great significance for regional and world peace as India and China, together, represent a third of humanity."\textsuperscript{78}

While India-China relations looked forward to the future, China's internal situation received a big jolt from the student uprising against the communist leadership. In May-June, 1989 China witnessed outbreak of protest against the anti-democratic nature of the communist regime in Beijing and other important cities. The Government of India declared that it was entirely an internal matter of China. In July 1989, Ghulam Nabi Azad, General secretary of Congress Party met with Jiang Zemin, General Secretary of the Chinese Communist Party. Jiang said he appreciated the Indian government and Congress's attitude of non-


\textsuperscript{78} \textit{Lok Sabha Debates}, Vol.49, 1989, Col.14.
interference in China's putting down of the counter revolutionary rebellion. 79'

The first meeting of the Joint working group was held at Beijing from 30 June to 4 July, 1989 and both sides exchanged views on the improvement of bilateral relations and regional as well international issues of common interest. 80

Both sides held that while seeking the solution to the boundary issue, the two countries should strive to promote bilateral ties in other fields and to maintain peace and stability in the zones on both sides of the Actual Line of Control. 81 On 8 July, it was announced that India and China had agreed to undertake confidence building exercise and push the process of normalisation of relations between the two countries. 82

With a view to keep up the momentum generated by the high level political contacts, Chinese Vice Premier, Wu Xueqian came to New Delhi on 11 October, 1989. He held extensive talks with External Affairs Minister, P.V. Narasimha Rao and Prime Minister, Rajiv Gandhi. As Wu stated:

We can not only strengthen our cooperation and make up for each other's deficiencies in many areas, including economy, science, technology, culture and education, but also enhance, our consultations on the North-South dialogue, South-South cooperation, and number of other

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81 ibid.
international issues - as long as the two sides conduct friendly consultations in a spirit of mutual understanding and mutual accommodation, a mutually acceptable solution can be found. 83

In his annual address to the Parliament on 12 March, 1990 the President stated:

The pace of diplomatic exchanges is being accelerated, contributing to the development of mutually beneficial cooperation on the basis of Panchsheel. The foreign Minister of China will be visiting India soon to carry forward the dialogue. We will continue our efforts to find a fair, reasonable and mutually acceptable settlement of the boundary question, consistent with our national interests”. 84

The Chinese Foreign Minister, Qian Qichen visited India in March, 1990. 85 Qian’s visit coincided with the 40th anniversary of the establishment of diplomatic relations between China and India. In his talks with his Indian counterpart, I. K. Gujral, Qian agreed that the development of bilateral relations in other fields would create a favourable climate and conditions for a fair and reasonable settlement of the boundary question. 86 The most important point made by Qian on 23 March related to Kashmir. He emphasised the need for a peaceful solution to the Kashmir problem through mutual consultations between India and Pakistan. He hinted that China was against the internationalisation of the Kashmir issue.

86 Asian Recorder, 1990, p.21, 126.
Speaking in the Parliament on 9th April, Shri I.K. Gujral said:

In the broader context, the visit of the Chinese foreign minister last month resulted in a better understanding of the perceptions of both sides on matters of international and regional concern. This was important because both of us face similar problem as continental societies. Exchange of views and better understanding are themselves of no mean value. In terms of our immediate bilateral interest, I must add that the desire to continue to process of improvement of relations was reiterated by both sides during the visit. 87

The Joint Working Group held its second meeting on 31 August-1September, 1990 in New Delhi. Both sides agreed on a mechanism under which their military personnel would meet from time to time at an appropriate level to maintain peace in the border areas. At the end of the two days discussions the delegations led by the Chinese vice foreign minister, Qi Huaiyan and the Indian Foreign Secretary, Muchkund Dubey, expressed the hope that by working in a "sincere and forward looking manner it would be possible to establish a basis for settlement of the boundary question as well as for maintaining tranquility in the border areas. 88 The two sides also discussed ways of further improving the bilateral relations and exchanged views on regional and international issues. They noted with satisfaction the growing

87 *Lok Sabha Debates*, vol.3, 1990, Col.595.

interaction between the two countries in various fields, including exchanges at the political level.89

The nineties unfolded with profound transformation in international politics. Amidst the rapid changing world scenario, both India and China desired a stable relation to face uncertain and ever changing pattern of international politics. The combined effect of international circumstances, regional politics and domestic compulsion, pushed India and China on a closer and irreversible path of rapprochement.

On 21 February, 1991 the President addressed the joint session of the Parliament and stated:

We have continued the process of seeking a better understanding with China. Our bilateral cooperation has grown and we have also begun to consult each other more closely on international issues. Negotiations in the Joint working group are continuing with a view to resolving the boundary questions in a fair, reasonable and mutually acceptable manner. We believe that closer cooperation between India and China will be in the interest of peace and stability in Asia and the world.90

The third meeting of the Joint Working Group was held in May 1991 at Beijing. The two sides exchanged views on maintaining peace and tranquility along the border under actual Line of Control.91

89 Indian Express, 4 September 1990.
Later in September, 1991 the Defence Minister, Sharad Pawar stated in the Parliament:

There is no tension on our borders with China. In the recent years, China has not taken any such step which can create anxiety or doubt in our minds. Therefore, we will try to develop good relations with China also to ensure mutual development. As far as China is concerned, there is certainly peace on the border and efforts are being made to improve our relations with China”.92

Chinese Premier, Li Peng paid an official visit to India from 11 December to 16 December, 1991 and it was the first visit to India by a Chinese Prime Minister in 31 years.93 During the visit, the two governments signed three agreements i.e. resumption of border trade reopening of consulates in Bombay and Shanghai, and cooperation in peaceful applications of outer space sciences and technology.94 The two Premiers agreed to give political directions to the Joint-working group in order to facilitate in resolving the border issue. Further, India used this opportunity to convey to China its concern at ‘external inputs’ to Pakistan’s nuclear weapons capacity and missile technology. The Chinese side expressed concern about the continued activities in India by some Tibetans against their motherland and reiterated that Tibet was an inalienable part of Chinese territory. The Indian side reiterated its long standing and consistent position that Tibet was an

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93 Beijing Review, no.50, 16 December 1991, p.4.
autonomous region of China and that it did not allow Tibetans to engage in anti-China political activities in India. The two sides positively appraised their cooperation in the fields of trade, culture, science and technology. It was also agreed to hold a cultural festival of India in China and a cultural festival of China in India. The two sides believed that dialogue and exchange of visits between the leaders of the two countries were of major importance to greater mutual understanding and further development of bilateral friendship and cooperation in all fields.95

The leaders of the two countries reiterated that efforts would be made to arrive at an early and mutually acceptable solution to the boundary question through friendly consultations. 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 questions. It was decided that the next meeting of the joint working group would be held in New Delhi in early 1992 on a mutually convenient date. The two sides agreed to maintain peace and tranquility in the area along the line of actual control pending a final settlement of the boundary question. The also agreed that the

95 See the full text of Sino-Indian Joint Communique in *Beijing Review*, no.52, 30 December 1991, pp.10-12.
periodic meetings between the military personnel in the border areas should be held on a regular basis.  

On 20 December, 1991, Prime Minister Narasimha Rao gave a long statement in Lok Sabha, on the visit of Prime Minister of People's Republic of China and stated: "That the visit gained added significance because it had taken place in the context of the ongoing rapid changes in international relations involving a fundamental transformation. He added:

In our discussions on the international situation. Premier Li Peng and I agreed that the five principles of peaceful coexistence, jointly initiated by India and China in 1954, were essential norms for the conduct of international relations and that all countries, regardless of their size, strength or stage of development, were equal members of the international community. It was our common position that the use of force or threat of force as a means of settlement of disputes should be firmly abjured in international relations. On the outstanding question of the boundary between our two countries, both the Chinese Premier and I were agreed that efforts should be intensified to find an early, fair, reasonable and mutually acceptable solution to this question. We expressed our satisfaction that peace and tranquility had been maintained in the border areas. A number of bilateral agreements have been signed during the visit... We have agreed to intensify our cooperation in such fields as agriculture, public health, energy and education... On the issue of Tibet, our long standing and consistent position was clearly reiterated. Tibet is an autonomous region of China and we do not allow Tibetans to engage in anti-China political activities in India. Our respect for His Holiness the Dalai Lama as a religious and spiritual leader remains constant. The approach to such questions should be consensus oriented through political dialogue. The Chinese Prime Minister indicated that all issues except that of the independence of Tibet are open to negotiation with His Holiness the Dalai Lama.  

96 Beijing Review, no.52, 30 December 1991, p.11.  
India also conveyed to the Chinese side its concerns about the supply of sophisticated arms and defence technologies to Pakistan and Pakistan's role in fomenting terrorism and subversion in the states of Punjab and Jammu and Kashmir. Narashimha Rao Stated:

The Chinese Government is opposed to terrorism since it does not solve problems and only sharpens existing contradictions. They have said they do not wish to see conflict and are for the peaceful settlement of differences between India and Pakistan. Our concerns about Chinese arms supplies to Myanmar have also been conveyed.

The issue of human rights figured in our dialogue. I stressed our adherence to the concepts of the indivisibility of all human rights. At the same time, I expressed the view that no country should be denied assistance in the name of human rights. Norms for human rights cannot be determined unilaterally and externally. Primacy should be given to the task of development. The Chinese Premier was of the opinion that the issue of human rights should not be used as a lever for internal in the international affairs of countries. 98

Commenting on the need for friendship between India and China, the Indian Prime minister reiterated:

China is our biggest neighbour and we are drawn to it both by geographical inevitability and by the tradition of historical interaction. We look forward to the future of our relations with China. Our dialogue must strengthen mutual understanding and enable the peaceful resolution of all outstanding issues. I believe the visit of the Chinese Premier has been an important step in that

98 ibid, Cols. 928-29
direction... The approach to this visit was to discuss the border on the one hand and, at the same time, cooperation in other areas of mutual interest there are two categories; one bilateral and the second, in the international field in the common interest of human kind. India and China, as two ancient Civilisations, can do no less. It is their duty to the world. I fervently believe it. This international aspect has always been important and will always be so. But at the present juncture, when the world is in the throes of unprecedented changes I think this particular duty to mankind is also urgent. It brooks no delay. I believe that the future of a vast chunk of humanity, living in developing countries and groaning under Conditions of poverty and want, is at Stake now as perhaps never before. India and China owe this duty to this vast chunk of humanity.\(^9\)

The Prime Minister further stated on the developments on the issue of the border:

Both the Chinese Premier and I were agreed that efforts should be intensified to find an early, fair, reasonable and mutually acceptable solution to this question. We expressed our satisfaction that peace and tranquility had been maintained in the border areas. We stressed that our differences on the boundary question should be reduced and that we should maintain our contacts with each other in order to provide directions to the Joint Working Group that was set up to deal with this question in 1988... meetings between the military personnel will be held on a regular basis. This was not the case in 1988. Now, these meetings will be held on a regular basis thus making it much easier and much more certain that there will be no breach of peace by any mistake or misunderstanding on the borders".\(^{10}\)

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\(^9\) \textit{ibid}, Col.929.  
\(^{10}\) \textit{ibid}, Cols.926-927
It was thus clear both sides had taken positive steps to move forward toward the solution of the India-China boundary dispute. India had suggested a step-by-step approach to resolve the boundary question. The first step was the stabilisation of the situation on the Line of Actual Control and to delineate it more precisely in those sectors where differences of opinion existed between India and China. The second step was to come to a mutual agreement to maintain peace and tranquility on the Line of Actual Control. The third step was to put in place expanding mutual confidence-building measures which would create an atmosphere of normalcy and peace on the Line of Actual Control, after which both sides could proceed to address the substance of the Sino-Indian boundary question. This approach was mutually agreed upon.

India and China were seriously and sincerely engaged in confidence building measures as far as solving vexed border question was concerned. Undoubtedly the border problem was the key to full normalisation of relationship between India and China. In fact, the events of 1986-87 particularly the Sumdorong Chu Valley incident and subsequent military build up showed how much sensitive and crucial issue border was for normal relationship of India and China. Indeed, it was due to matured

handling of this issue by leaders of both sides that things were allowed to deteriorate and process of rapprochement continued. Admittedly, the process was a slow one, with its phases of ups and downs, but it is important to note that important differences on border issue had not been allowed to cast their shadow on overall progress of rapprochement between India and China.

Considering the sensitivity and complexity of the issue, both sides were following a cautious and step-by-step approach to amicably resolve the border issue.

IV

Economic and trade ties constitute an important aspect in the bilateral relations between India and China. Economic and trade ties between India and China were resumed on an adhoc basis in 1977 after a break of almost fifteen years. Thereafter, the two countries not only reestablished trade but also shipping and banking links at modest levels. Increased economic and technological exchanges improved the general tenor of the bilateral relations. Both India and China, the world’s two most populous countries, with vast territories and a variety of natural resources were working hard to eliminate poverty and raising the standard of living of the teeming millions. Thus with their common concern for development, there emerged a new vista for economic interaction. By cooperating in the economic sphere, they could learn from each other’s experiences that would not only prove beneficial for the
programmes of economic modernisation of both the countries, but
would also promote mutual understanding and the development of
friendly relations.

To go into the brief history of Sino-Indian trade ties, it is
worth recalling that to a large extent, Sino-Indian economic
relations have been governed by their political relations throughout
history. The brief flowering of friendship during fifties exhibited the
initial buoyancy in bilateral trade. The balance of trade was in
favour of China. The signing of a trade agreement for eight years in
1954 was a watershed in the bilateral economic relations. As a
result of the agreement, a) bilateral trade agencies were
established; b) payments were effected in rupees or pound sterling;
c) as many as six transit points were specified. The agreement ran
upto 1962 and then it was not renewed because of tense relations
between the two countries. With the deepening strains in
political ties, Sino-Indian trade suffered a setback. The turnover
dipped after reaching a peak of nearly Rs12.7 million in 1959 to Rs
1.13 million in 1962 and then tapered off to less than Rs.1 million
in the next two year, before snapping totally for about a decade and
a half, reflecting the then deteriorating political relations between
India and China.

With the restoration of full diplomatic relations in 1976, the
second phase of Sino-Indian economic relations began. Initially,

the main items of export from India were cotton, crude-vegetable materials, iron ore, sugar, barley and tobacco manufactures. While silk, chemicals and compounds, zinc, non-ferrous metals, machinery and transport equipment were principal importing items. The number of products traded between the two countries were few. And it did not add up to even 300 items at the 8 digit standard International Trade Classification (SITC) of over 8,000 items. Apart from this fact, total trade turnover was Rs 105.61 crores. In 1981-82 the deficit was Rs 25-58 crores, out of the total trade turnover of Rs 130.94 crores. Considering the size of the economies of these two big countries, their trade turnover has been insignificant. India’s share in China’s total trade was 0.4 percent, while China’s share in India’s total trade was 0.6 percent. This can be seen from the table below:

<table>
<thead>
<tr>
<th>Year</th>
<th>India's exports to China</th>
<th>India's imports from China</th>
<th>In Rs Total</th>
<th>Crores Balance of Trade</th>
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</thead>
<tbody>
<tr>
<td>1977-78</td>
<td>1.93</td>
<td>0.63</td>
<td>2.56</td>
<td>1.30</td>
</tr>
<tr>
<td>1978-79</td>
<td>24.25</td>
<td>1.71</td>
<td>25.92</td>
<td>23.08</td>
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<tr>
<td>1979-80</td>
<td>20.83</td>
<td>18.91</td>
<td>39.74</td>
<td>1.92</td>
</tr>
<tr>
<td>1980-81</td>
<td>23.63</td>
<td>81.98</td>
<td>105.61</td>
<td>-58.35</td>
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<tr>
<td>1981-82</td>
<td>52.68</td>
<td>78.26</td>
<td>130.94</td>
<td>-25.58</td>
</tr>
<tr>
<td>1982-83</td>
<td>12.16</td>
<td>105.20</td>
<td>117.18</td>
<td>-92.85</td>
</tr>
<tr>
<td>1983-84</td>
<td>5.72</td>
<td>76.79</td>
<td>81.51</td>
<td>-70.07</td>
</tr>
<tr>
<td>1984-85</td>
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<td>66.55</td>
<td>68.67</td>
<td>-64.63</td>
</tr>
<tr>
<td>1985-86</td>
<td>29.20</td>
<td>141.96</td>
<td>171.16</td>
<td>-112.76</td>
</tr>
<tr>
<td>1986-87</td>
<td>14.33</td>
<td>173.34</td>
<td>187.67</td>
<td>-159.00</td>
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<tr>
<td>1987-88</td>
<td>33.73</td>
<td>159.31</td>
<td>193.04</td>
<td>-125.58</td>
</tr>
<tr>
<td>1988-89</td>
<td>64.40</td>
<td>132.40</td>
<td>196.80</td>
<td>-68.00</td>
</tr>
</tbody>
</table>

Source: Sino-Indian Trade, Sreedhar (Unpublished Article) in Proceedings of the Seminar on Search for A China Policy, Organised by School of International Studies, JNU (New Delhi, 1988).


104 R.K. Upadhyaya, n.102, p.30.
The exchange of views over the years enabled both the countries to identify products for exports and joint venture collaboration. Following are some of the important items which have export potential from India: superior grade white leaf tobacco, raw sugar, coffee, wheat, maize, raw cashew nuts, Short and medium staple Cotton, Chromeore, ironware, organic dye stuffs and natural indigo pigments, Paints and Varnishes, Shellac, Railway vehicles, trucks and buses, ships and boats, scooters and mopeds, internal combustion engines, agricultural machinery and Tractors. Among the important potential items for import from China were: Petroleum cooking gas, nitrogen fertilizers, newsprint, vegetable oil, raw silk, ferronickel, aluminum, copper, zinc, lead, mercury antimony, paraffineax, borax and fluorspar. These were some of the products identified at the broader levels of classification.

Since the resumption of bilateral trade not only were trade delegations exchanged, but there were also regular official talks at the governmental level to expand economic relations between the two countries since 1981. Infact, in the very first round of official talks in December 1981 five sub groups were formed to deal with matters concerning boundary, trade and economic cooperation, cultural exchanges and science and technology. Thereby

105 Taranath Bhat, no.103, p.21.
106 Nancy Jetly, n.11, p.58.
emphasis was sought to be given to increase economic cooperation between India and China. As Minister of External Affairs, Narasimha Rao stated in Parliament in February 1982:

Since the resumption of trade with China in 1977, a number of delegations have been exchanged between the two sides. From the Indian side, HMT, FICCI, MMTC, STC and others including individual businessmen have been sending delegations for discussions. Bilateral trade was also included in discussions between the officials of both sides in Beijing in December. Efforts are underway to increase the volume and diversify the composition of trade. The question of an agreement is not at present under consideration."\(^{107}\)

In the second round of talks in 1982, the two sides decided to step up economic cooperation. Bilateral trade was also revived during the talks and it was found that the present turnover of $100 million worth of goods exchanged between the two countries was not enough.\(^{108}\) During the third round of talks in 1983, both sides reviewed the development of bilateral trade and expressed their satisfaction at the steady, though modest growth registered in the past two years. Certain new areas were proposed for economic cooperation which would be explored by both sides.

In the fourth round of talks held in 1983, India and China also agreed to explore ways to step up their trade. In course of the talks India's capabilities in the export of transport equipment, railway equipment, mining transport, ball bearings, wire ropes, dairy plant and thermal power plants were brought to the notice of

\(^{107}\) *Lok Sabha Debates*, vol.24, 1982, Col.122.

the Chinese delegation. The Chinese showed interest in import of tanning equipment and technology from India and also in the import of light building materials for high rise buildings. The Chinese side indicated that they have a programme for modernisation of about 3000 industries which could open new opportunities for export of engineering goods to China.\textsuperscript{109} Despite the increase in bilateral trade during the preceding few years, both sides felt that the annual trade between the two countries was rather modest. The Indian team stressed that the current balance of trade was against India and to rectify it, China should import some goods from India.

On 15 August, 1984 India and China concluded after thirty years, a new trade agreement to accord each other's commerce the most favoured nation treatment and to boost their bilateral trade. The agreement provided a framework for commerce between the two countries which resumed on adhoc basis in 1977 after a 15 year break caused by the 1962 India-China War. To be automatically renewed after every three years, the agreement required the two countries to give each other's traders the best of terms in respect of customs, duties, taxes and other charges and import-export formalities.\textsuperscript{110}


\textsuperscript{110} \textit{Annual Report 1984-85}, Ministry of Commerce, p.40.
During the fifth round of talks in 1984, Chinese Vice Premier, Wan Lin Sought further strengthening and development of bilateral cooperation in the fields of economy, technology and culture. On 2 March, 1985 an agreement to promote and develop economic and trade relations between the Federation of Indian Chambers of Commerce and Industry (FICCI) and the China Council for Promotion of International Trade (CCPIT) was signed. The two sides also identified specific commodities for import and export. Later, on the invitation of Commerce Ministry, the Chinese Minister of Metallurgical Industry, Li Dongye visited India in August 1985 to explore possibilities of importing certain mineral ores particularly iron ore from India. The Minister of Commerce, Arjun Singh, informed the Parliament that under the Agreement, FICCI and CCPIT had agreed to exchange and distribute information and materials concerning new products, new technologies and new processes in production in their respective countries. The main provisions were: i) to help each other in mutual cooperation in promotion of consultacy services and joint ventures and ii) to assist each other in holding economic and trade exhibitions and specialised fairs in each other’s country.

India and China signed a trade protocol on 23rd November, 1985. The protocol provided for exchange of goods of total value of

111 *Asian Recorder*, 1985, p.18, 255.
112 ibid.
about U.S $100-160 million during the 1986. It was to be operative with effect from 1st January 1986.\textsuperscript{114} In the beginning, India had a favourable balance of trade with China during 1977-78 and 1978-79. Thereafter, the balance shifted heavily in favour of China. During 1984-85, India’s exports to China were only Rs 2.12 crores as against imports from China worth Rs 66-55 Crores. The imbalance was expected to be corrected as a result of the fresh protocol. The seventh round of talks held in 1986, expressed satisfaction over the pace of economic cooperation between the two countries.

May 27, 1987 India and China signed in Beijing a second trade protocol envisaging a total trade volume of between $150 million and $200 million between January 1987 to March 1988. The protocol called for a 35 percent increase over $100-160 million target for 1986.\textsuperscript{115} The two sides expressed satisfaction at the growth of trade between the two countries and noted the potential for further growth on a balanced basis.

Throughout the year 1988 efforts continued to be made by both sides to improve economic relations. At the opening of the Indian-China chamber of commerce branch in Calcutta in March 1988, China’s Commercial Counsellor He Wei called for the use of barter, counter trade and counter investment in order to expand

\textsuperscript{114} ibid, vol.II, 1985, Col.64.

\textsuperscript{115} Economic Times (New Delhi), 1 June, 1987.
trade.\textsuperscript{116} The annual bilateral trade protocol was signed in June 1988.\textsuperscript{117} Unlike earlier agreements, the 1988 trade protocol set no upper limit on trade. With a view to strengthen economic cooperation between the two countries, a Chinese delegation from the Foreign Investment Administration of the Ministry of Foreign Economic Relations and Trade visited India in June 1988. The Chinese delegation tried to drum up Indian investment in Chinese industrial development and noted the prospects for economic and technological cooperation.\textsuperscript{118} Around the same time a delegation from the Federation of Indian chambers of Commerce and Industries visited China to explore opportunities for trade. China decided to import in 1989, 250,000 tones of iron ore. It was 100,000 tones more than the quantity exported to China in 1988.\textsuperscript{119} There was also mutual exploration of the possibility of joint ventures and exchanges in new areas.

The most concrete economic fall out of Prime Minister, Rajiv Gandhi’s China visit in 1988, was the formation of an India-China Joint Working Group on Trade, Economic Relations and Science and Technology that held its first meeting in New Delhi on 18 September, 1989. Both sides stressed the vast potential for expanding bilateral trade and the need for promoting closer

\textsuperscript{116} Surjit Man Singh and Steven I. Levine, n.50, p.44.
\textsuperscript{117} Lok Sabha Debates, Vol43, 1988, Col.176.
\textsuperscript{118} Economic Times, 8 June 1988.
\textsuperscript{119} ibid, 9 February 1989.
economic ties and cooperation in the areas of science and technology. Zheng Toubin Chinese Minister for Foreign Relations and Trade believed that there were bright prospects for bilateral economic relations. He noted the upward trend in trade but felt that the present level was far below the real potential. Dinesh Singh, Indian Commerce Minister, while expressing gratification at the setting up of the Joint Working Group that reflected the resolve of both sides to strengthen bilateral relations, noted with concern that India had an adverse balance of trade for the past five years and called for remedial measures.120 The meetings of the Working Group on economic cooperation strengthened bilateral trade as is evident from the table below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Export to China</th>
<th>Import from China</th>
<th>Total Trade</th>
<th>Balance of Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989-90</td>
<td>391</td>
<td>658</td>
<td>1049</td>
<td>-267</td>
</tr>
<tr>
<td>1990-91</td>
<td>327</td>
<td>556</td>
<td>883</td>
<td>-229</td>
</tr>
<tr>
<td>1991-92</td>
<td>1162</td>
<td>526</td>
<td>1688</td>
<td>+636</td>
</tr>
</tbody>
</table>

Source: Directorate General of Commercial Information and Statistics DGCIS, Government of India.

The second meeting of the India-China Joint Group on Economic Relations, Trade, Science and Technology was held at Beijing in February, 1991. The Indian commerce minister,

120 Indian Express (New Delhi), 19 September 1989.
S. Swamy visited China to participate in the meeting and signed a set of agreed minutes and a Sino-Indian trade protocol for outlining the mutual interests in the development of trade. \(^{121}\) In December 1991, the two countries concluded an agreement to resume border trade after some three decades in a limited way. It was to be confined to one trading point in the middle sector of the India-China border. China was to establish a mart at Pulan in Tibet and India at Gunji in Pithoragarh district of Uttar Pradesh. \(^{122}\)

By 1991, trade with China increased though it remained a small share of the total value of the external trades of India and China. A brief overview of history of bilateral trade ties shows that during the three years of 1981-83, the average per year value of India-China trade was 29 million US dollars. During the next three years of 1984-86, this annual trade average was 22.6 million US dollars. In the three years between mid 1989 to mid-1992 the annual average value was 42 million US dollars on about 35 percent more than the average for the early 1980s. However, compared to the overall trade value of the two countries, this constituted a very small share. Between September 1989 and September 1990, the value of China’s foreign trade was 91,200

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\(^{121}\) *China Daily*, 14 February 1991.

million US dollars. In that year the value of China's foreign trade was only 0.07% of the value of India's foreign trade.\textsuperscript{123}

To sum up, Sino-Indian economic relations during the period under study moved in parallel with the state of their political relations. Despite all efforts being made to improve economic ties, it should not be overlooked that the trade was still virtually negligible. However, there was considerable potential for increasing bilateral trade.

Apart from economic cooperation, increasing efforts were made to strengthen bilateral relations in the field of science and technology and culture. Indeed, in the first round of official talks in December 1981 separate sub groups were also formed to deal with matters concerning science and technology and cultural exchanges.\textsuperscript{124}

In the second round of talks in May 1982, India and China decided to step up scientific and technological exchanges. It was decided that an oil delegation, a railway delegation and agricultural experts would be sent by India to China. In turn, China would send to India experts to study wheat breeding and dairy development. A delegation of Chinese scientists would also come to India.\textsuperscript{125} During the fourth round of talks in 1983 the two sides felt the need

\textsuperscript{123} Statistics from the State Statistical Bureau, China's Foreign Trade, (Beijing, 1991).

\textsuperscript{124} Nancy Jetly, no.11. p.t8.

\textsuperscript{125} Asian Recorder, 1982, p.16, 672.
to increase scientific and technological exchanges and thus it was agreed that the Indian delegation on biogas and minihydel power plants would be visiting China and a Chinese team would visit India to study shellac production. The two sides also discussed new proposals during a review of the ongoing programme of bilateral exchanges in science and technology. The new areas included agriculture and irrigation, electronics and communication systems, health, population control, drug research, mining and biotechnology.\textsuperscript{126}

In the fifth round of talks in 1984, some areas were identified by the both sides in which they could offer technology to each other. The areas where India could offer technology to China included hotels, engineering goods, transport equipment, thermal power stations, pesticides, plastic and paper China could offer technology to India in biogas plants, mini steel and cement plants, medicine and rice cultivation.\textsuperscript{127} During the sixth round of talks in 1985, the subgroup on science and technology decided to exchange delegations in computer industry, agriculture, plasma physics, laser technology and biotechnology.

In 1988 when Premier Rajiv Gandhi visited China, the two governments signed an agreement on intergovernmental cooperation in the sphere of science and technology. Further, the

\textsuperscript{126} ibid, 1983, p.17, 511.
\textsuperscript{127} ibid, 1985, p.18, 255.
decision to establish a Joint Group on economic relations and trade and science and technology was a step forward in the bilateral cooperation in science and technology.\textsuperscript{128} In March 1989 the Agriculture Minister of China, He Kang visited India and along with his Indian counterpart, expressed the common desire for exchange and cooperation in the field of agriculture. A memorandum on agricultural science and technology exchange and cooperation between China and India was signed. Items envisaged in the memorandum included delegation of exchanges, cooperative research, specialised visits and exchange of improved Corp seeds and breeding stocks of poultry, domestic animals and fish.\textsuperscript{129} During the historic visit of Chinese Premier, Li Peng to India in December 1991 China and India concluded an agreement on cooperation in the field of outer space sciences. Both sides also agreed to intensify bilateral cooperation in such fields as agriculture, public health and energy.\textsuperscript{130} These exchanges not only helped scientific and technological establishments but also pushed forward bilateral relations between India and China.

Thus, economic, scientific and technological exchanges contributed in large measure, in improving bilateral relations between India and China. During the period from 1976 to 1991,

\begin{itemize}
\item \textsuperscript{128} \textit{Lok Sabha Debates}, vol.49, 1989, Col.14.
\item \textsuperscript{129} \textit{China Daily}, 10 March, 1989.
\item \textsuperscript{130} \textit{Lok Sabha Debates}, vol.7, 1991, Col. 927.
\end{itemize}
cooperation in economic, science and technology and cultural planes continued apace and pushed India-China rapprochement step forward.

To sum up therefore by the year 1991, India-China relations were on upswing. As a result of the summit level talks, India-China relations registered all round improvement. On the border issue, both sides agreed to ensure, peace and tranquility on the Line of Actual Control. Now, both sides were following step-by-step approach to resolve this sensitive issue. Further, to broaden bilateral relations, India and China moved forward to cooperate in the field of economic, science and technology and cultural arenas. As a result of all these developments, the process of India-China rapprochement stabilised firmly by the beginning of the nineties.