CHAPTER-IV

TRADE

The independence of India in August 1947 and the emergence of China as a united country in October 1949, in both cases after years of subjugation and relentless struggle, are momentous events in Asian history. And, as they develop, pursuing their own unique paths of development, the two countries are destined to play significant roles in international affairs. The People's Republic of China (PRC), according to a publication of the Institute of Policy Studies, Singapore, is the second largest economy in terms of GDP at Purchasing Power Parity (PPP), the world's sixth largest merchandise trading nation, the twelfth largest global exporter of commercial services and the largest recipient of Foreign Direct Investment (FDI) among the developing countries. India is catching up, but at a slower pace, it is ranked fourth largest in terms of GDP at Purchasing Power Parity (PPP) and has been, according to World Bank estimates, one of the fast growing economies in the world. The two countries together number 2.4 billion, 40 per cent of the world's population and given proper leadership and vision; can transform themselves from demographic giants to economic and political super powers. It was this common commitment which made Deng Xiaoping to tell Prime Minister Rajiv Gandhi that when India and China attain their full potential, the world will witness the "Asia-Pacific century".

India- China Ancient Trade Linkages

We come across China's mention in Mahabharata. Kautily also refers to the silk-textiles from China known as Chinas. A similar mention is found in Manu Smrtri also. It will not be vague to conclude that India was chief intermediary between China and West. Throughout the first and second centuries of the Christian era, during the reigns of the Chinese emperor Hoti (89-105 A.D) and emperor Hiwanti (158-159 A.D), there arrived, according to Chinese annals, many embassies from Indian sovereigns bringing merchandise under the name of tribute to the Chinese court, which alone had the monopoly of the trade with foreign nations. In order to avoid India as an intermediary in the silk trade of China with Rome, the Romans tried to establish a close contact with China but Parthians made their attempts futile. The Parthian war of 162-165 AD. And the terrible outbreak of plague at Babylon had caused something like a
panic in the silk traffic, and, a mercantile mission, pretending to come from the Emperor Marcus Aurelius, but really, no doubt, sent by the rich merchants of Antioch or Alexandria, reached the court of the Chinese monarch Huan-li on October, 166 AD. They represented to the king that their master had always desired to send embassies to China, but the Parthians had wished to carry on the trade in the Chinese silks, and for this reason they had been cut off from direct communication. They, therefore, represented themselves as having been sent by Antun King of Ta-tsin (Antonius King of Syria), who offered ivory, rhinoceros, horns, and tortoise-shell from the frontier of Annam. They brought no jewels, says the Chinese analyst, a fact which makes him suspect their story. However, from that date, he continues, direct intercourse, between China and the West by sea, began. No doubt, the merchandise went from Annam to Nelkyanda (south India) and was there shipped to Alexanderia and Antioch. But despite this direct trade relation, it seems, from the account of the Perplus, that India continued to export Chinese silk from the port Barbaricum, Bary -gaza, and Nelcynda where this commodity was brought by land and sea-routes from China for exporting to Western countries. It so appears that the traders of India and China often met at regular fairs held at the borders of the two countries and exchanged their wares. (Basham, 1954:54)

**Relevance of Frontier Trade: Tibet and India’s Northeast**

The delineation of the frontier between states had long been keeping the natural barriers like rivers, mountains, deserts, etc in mind. The states-centric security concerns viewed the state-frontiers as vulnerable to external security threats, and hence kept them inaccessible, and used them as buffer. The natural inaccessibility of the frontier areas was thus used to protect the heartlands. The traditional security perceptions hardly allowed national resources to flow to these frontier regions in order to establish strong triadic linkages between local resources base, production structure and trade. As a result, the frontier regions remained underdeveloped and peripheral to the heartlands. As the structure of peripheral economy is ordered by the needs of the heartland, the frontier area exhibit a kind of dependent development syndrome. Since the mainland productive base and market places are far away from the frontier region, high transportation cost cut into the competitiveness of local production. Peripheral region, thus remained out of the orbit of national programmes of industrialization, hence industrialization based development. (Das, 2005: 123-124)
Frontiers are now increasingly viewed as the gateways to markets of the neighbouring countries. This new realization has led the nations to devise strategies as to how cross-border trade can be used in order to bring about development in the bordering provinces. (Das, 2005:124)

**Frontier Trade: Tibet and India’s Northeast prior to British**

Historical evidence shows that prior to British annexation of the Brahmaputra valley, Tibet had a flourishing trade with Assam (Lamb, 1960:18). An analysis of historical and ethnographic data reveals that a number of tribes in Arunachal Hills like Mishmi, Monpas, Khambas, Apa Tanis, Adis and Nishis had trading contacts with Tibet and Tibet’s trade with other frontier tribes living in the areas further south of them. There was twenty seven passes that contact different parts of Arunachal Pradesh to Tibet. Out of them seventeen routes are in use by Tagins of upper Subansiri district of Arunachal Pradesh.

However, this pre-colonial cross-border trade flow was largely re-oriented during the colonial era following the pursuance of British frontier policy. (Das, 2002: 21)

**Anglo-Burma War-Opens Trade with Assam and Tibet**

In 1826 the British acquired Assam from the Burmese following their victory in the first Anglo-Burmese War. Although some earlier efforts had been made to promote trade between the East India Company and Assam, the acquisition of the country brought the British into contact for the first time with the Assam Himalayan region. This region was mainly regarded during the nineteenth century as a buffer between Assam and Tibet. There was interest; however, in two major trade routes which connected Tibet with Assam, one route ran from Lhasa through Tawang and over the Se La, the other connected Rima in Eastern Tibet with Sadiya in Assam by way of the Lohit River. Most interest centered on the Lohit river route as this was the shortest route through Tibet to China. (Acharya, N.N. 1987: 293)

**Nain Singh Mission explores Tibet in 1866**

Nain Singh, a Bhutia from Kumaon, was one of the pundits trained by the survey of India. In 1865, he entered Tibet from Nepal and, joining a caravan, reached Lhasa in January 1866. He stayed in Lhasa for three months and then returned to India via Lake Manasarovar and
Kumaon, covering 1200 miles in all. In 1867, he set out again with two other pundits, Mani Singh and Kalian Singh, on a mission to explore Western Tibet. On this journey they reached Gartok and the Tibetan goldfield of Thok Jalung. On his final journey Nain Singh left Leh in July, 1873 and made his way to Lhasa by a Northecly route visiting the goldfield of Thok Dorokpa and Lake Tengri nor on the way. He returned to India through Tawang, reaching Udalguri in Assam in March 1875. (Wilford, J.N, 1981: 414).

**Anglo-Chinese Convention of 1890 and the Trade Regulations of 1893**

Anglo-Chinese Convention was eventually signed on 17, March, 1890. Article I of the Convention determined the boundary between Sikkim and Tibet and by article III both the government “engaged reciprocally to respect the boundaries and to prevent acts of aggression from their respective sides of the frontier” this convention constituted an acknowledgement on the part of Great Britain of China’s sovereign rights over Tibet. Which later resulted in to 1893 trade regulation between China and British India. (Ghosh, 1977:8-10)

**India’s Northeaster border trade after independence**

The growth of urban agglomerates along the foothills and the gradual integration of Arunachal Pradesh economy with the national market network after India’s independence have eroded the traditional base of cross-border trade arising out of non-availability of necessities and non-existence of market places in and around the hills of Arunachal Pradesh. Moreover, in order to accelerated the process of integration of the hitherto unknown people of Arunachal, the Indian states following a policy of supplying the necessities through institutional channels, and thereby eliminating the economic dependence of the hill people on the markets across the border. This policy has weekend Arunachal cross border trade. (Das, 2002: 22).

In the 1950’s the political relationship between India and China was at its best, but their economic cooperation was limited to trade in basic necessities to meet each other’s deficiencies. The year 1951 witnessed the large volume of bilateral trade. Due to the need of the war to resist US aggression and aid Korea, China imported a large number of gunnysacks from India and exported rice to India, the volume of bilateral trade at that stage hitting
US$72.46 million. During this period China’s major exports were grains and raw silk and for India it was gunnysacks and tobacco leaves. (Biyun, 2005:272)

In 1959, the two countries had a rift in their political relationship. Competing in a non-cooperative way, both India and China missed many opportunities for cooperation. Finally, following the India-China border conflict in 1962, the Indian Government due to security reasons, sealed the entry points all along the India-China border. This has brought to a halt both the Arunachal, Tibet trade and their intermediary role in Northeaster-Tibet trade. (Kumar, 2002:140). From 1963 to 1976, bilateral trade ties were cut off for 14 years until 1977. Neither of the two countries developed fast during that time. India’s economy grew at a low rate of 3.5% year on average, while China reached the verge of collapse during the decade-long disastrous Cultural Revolution. (Biyun, 2005:273) The Indian government should try to expand the list of goods to be traded through this mountainous passes. People of both sides will be benefited out of it. But before that India need to develop the infrastructure. India needs to develop the infrastructure not only for Army but for common people.

1954 Trade Agreement (Panchsheel)

The signing of an agreement by China and India on "Trade and Intercourse between the Tibet Region of China and India" in Peking on 29 April, 1954 put the seal of formality on India's acceptance of Tibet as an integral part of China. The agreement permitted Indian trade agencies to function in Yatung, Gyantse, and Gartok in return for a similar permission. The special provisions of the 1954 agreement to which the Indian note referred was the first paragraph of Article IV which states," Traders and pilgrims of both countries may travel by the following passes and route: (1) Shipki La pass, (2) Mona pass, (3) Niti pass, (4) Kungri Bingri pass,(5)Darma pass, and (6) Pipu pass and permission to Chinese trade agencies to function in New Delhi, Calcutta, and Kalimpong. It permitted the inhabitants of the border districts of the two countries to cross the borders as always to carry on petty trade or to visit friends and relatives. The treaty provisions, dealing with certain ancient privileges enjoyed by India like, trade and the rights of pilgrims between India and Tibet, were supplemented by a note (which confirmed the agreement) subsequently addressed by the Government of India to the Government of China. India undertook in this note to withdraw within six months the military escorts which it had stationed at Yatung and Gyantse ever since the Anglo-Tibetan
Convention of 1904 for the protection of the Kalimpong-Lhasa trade route, to hand over to the Chinese authorities in Tibet all Indian property in Tibet such as communications equipment (including post and telegraph installations) and the staging bungalows along the trade route from the transport and communication facilities it had arranged for itself in Tibet. (India: Bilateral Treaties and Agreements, 1957: 168). This small military force had been, in the absence of a more suitable arrangement with Tibet (and with China since 1951), one of the planks of the defense of the entire Himalayan glacis.

The special provisions of the 1954 agreement to which the Indian note referred was the first paragraph of Article IV which states, "Traders and pilgrims of both countries may travel by the following passes and route: (1) Shipki La pass, (2) Mona pass, (3) Niti pass, (4) Kungri Bingri pass, (5) Darma pass, and (6) Pipu pass. (India: Bilateral Treaties and Agreements: 1957: 168)

There was strong criticism in India, about the policy of "abandonment of Tibet " pursued by the Government of India, through this final signing away of Tibetan autonomy by the Government of India. Prime Minister Jawaharlal Nehru, in the course of a debate in the Lok Sabha (15, May 1959), answered it by pointing to the Preamble to the agreement, which contained the Panchsheel or "Five Principles " of peaceful coexistence. Perhaps Nehru was too naive when he proclaimed: 'Live and let live. No one should invade the other ... This is the basic principle which we have put in our treaty with China." By that principle the Government of India pledged it inter alia to respect the territorial integrity of China, as also to refrain from interfering in the internal affairs of China, in which it now included Tibet. J.B.Kripalani, who made the sharpest attack on this policy in the Lok Sabha on 19 August 1958, described the Panchsheel as "born in sin to put the seal of our approval upon the description of an ancient nation, which was associated with us spiritually and culturally" (Rahul, 1969:93)

India gave up all its special rights in Tibet even without settling the question of the Indo-Tibetan boundary, although since the early 1930s, the Chinese cartographers, especially in the Sheng Pao atlas (Peaking, 1933) and A Brief History of China (Peking, 1953; reprinted 1954), has been showing in their maps certain parts of India as belonging to China. It kept repeating parrot like that the question of this boundary had been settled by custom, usage, tradition, and international law. It showed little awareness of the fact that this repetition could never be
a substitute for an international agreement. It paid heavily for its complacency over the matter when the Chinese invaded India on 22 October 1962. (Rahul, 1969: 99)

Table-2

Trade Issue: A Comparison in 1904 and 1954 Agreements

<table>
<thead>
<tr>
<th>Convention between Great Britain and Tibet 1904</th>
<th>1954 Agreement (Panchsheel)</th>
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<tr>
<td>1 Article VII “The Tibetan Government engages to negotiate with the British Government new Trade Regulations for Outer Tibet to give effect to Article II, IV and V of the convention of September 7, 1904, between Great Britain and Tibet without delay; provides always that such Regulations shall in no way modify the present Convention except with the consent of the Chinese Government”.</td>
<td>1 Both India and China agree to establish Trade Agencies. Article I, says, that “India agrees that China may establish trade agencies at New Delhi, Calcutta, Kalimpong and China agrees that India may establish trade agencies at Yatung, Gyantse and Gartok.” The Trade Agencies of both parties shall be accorded the same status and treatment “The Trade Agencies of both parties shall enjoy the privileges and immunities for couriers, mail-bags and communications in code.” They also enjoy freedom from arrest while exercising their functions.</td>
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<tr>
<td>“Article II, of the Convention of September 7, 1904, States that the Tibetan Government undertakes to open forthwith trade marts to all British and Tibetan subjects shall have free rights of access at Gyantse and Gartok, as well as at Yatung.”</td>
<td>2 Article II, states that “traders of both countries known to be customarily and specifically engage in trade between Tibetan Region of China and India may trade at the following places:</td>
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<td>“In addition to establish trade marts at</td>
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the places mentioned, the Tibetan Government undertakes to place no restrictions on the trade by existing routes, and to consider the question of establishing fresh trade marts under similar conditions if developed of trade requires it.” Article IV states that “the Tibetan Government undertakes to levy no dues of any kind other than those provided for in the tariff to be mutually agreed upon.”

Article V states that “the Tibetan Government undertakes to keep the roads to Gyantse and Gartok from the frontier clear of all obstruction and in a state of repair suited to the needs of the trade, and to establish at Yatung, Gyantse and Gartok, and at each of the other trade marts that may hereafter be established, a Tibetan Agent who shall receive from the British Agent appointment to watch over British trade at all the marts in question any letter which the letter may desire to send to the Tibetan or to the Chinese authorities. The Tibetan Agents shall also be responsible for the due delivery of such communications and for the transmission of replies.”

“The Government of China agrees to specify (1) Yatung, (2) Gyantse and (3) Phari as markets for trade. The Government of India agrees that trade may be carried on in India, including places like (1) Kalimpong, (2) Siliguri and (3) Calcutta, according to customary practice.”

“(2) The Government of China agrees to specify (1) Gartok, (2) Pulanchung (Taklakot), (3) Gyanima-Kharga, (4) Gyanima-Chakra, (5) Rampura, (6) Dongbra, (7) Puling-Sumdo, (8)Nabra, (9) Shangtse and (10) Tash gong us markets for trade; the Government of India agrees that in future, when in accordance with the development and need of trade between the Ari District of Tibet Region of China and India, it has become necessary to specify markets for trade in the corresponding district in India adjacent to the Ari District of Tibet Region of China, it will be prepared to considered on the basis of equality and reciprocity to do so.”

Article IV says that Traders and Pilgrims of both countries may travel by the following passes and route (1) Shipki La pass (2) Mana pass,(3) Niti
2. Article IV state that "Chinese high officials with suitable escort has been maintained at Lhasa, but it is hereby provided that the said escort shall in no circumstances exceed 300 men.

Also, the customary route leading to Tashigong along the valley of Shangatsangpu (Indus) River may continue to be traversed in accordance with custom.

Source: Aitchison, (1909), pp. 35-38 and India: Bilateral Treaties and Agreements, (1957), Govt. of India, pp.168-177

Post 1954 Developments

Within six weeks of the agreement being ratified, China, for the first time charged Indian with violation of the five principles of peaceful co-existence. In a note given by the counselor of China in India to the Indian Ministry of External Affairs on July 17, 1954, Peking said "India troops armed with rifles crossed the Niti pass on June 29, and intruded into Wuje (the Chinese name for Barahoti) of the Ali area of the Tibet region of China." Coming as it did so soon after them expression of felling of friendship and mutual respect, the Chinese claim to Barahoti was regarded by India as having been made through "ignorance." Accordingly, New Delhi sent a note pointing out that there was no question of violation of Tibetan territory by Indian since Barahoti is south of the Niti pass which is one of the six border passes specifically mentioned in the agreement of April 29, 1954, and is therefore indisputable within Indian territory (India: Bilateral Treaties and Agreements, 1957:169). India in turned protested against an attempt by Chinese officials to cross into Barahoti. When Nehru visited
China in October 1954, he took up with the Chinese leaders the question of maps then just published in China. These maps, according to New Delhi, showed some 50,000 square miles of Indian Territory in the North-East Frontier Agency (NEFA) and Ladakh as belonging to China. Nehru drew Chou's attention to these maps, and the Chinese Premier, in reply, said they were merely reproductions of old Kuomintang maps which his government had no time to revise. In June 1955, Chinese troops camped on Barahoti plains, and in September they proceeded ten miles south of Niti pass to Damzan. (Bhat: 16) these all developments affected trade on the India-Tibet border.

**India-Tibet Border Trade**

Trade along the Indo-Tibetan border in Himachal Pradesh has a long history with the first state intervention in trade recorded over three hundred years ago. Colonial mercantile interests, the political interests of independent India and China, infrastructure, economic development and cultural transformations have all affected this trade and transformed communities living on either side of the border. A memorandum on the resumption of border trade between India and Chinese Tibet was signed at New Delhi on 13 December 1991, and Shipki La in Himachal Pradesh was one of the two designated trade routes. The two Prime Ministers in 2003 had also agreed to expand border trade from one or two more points, in addition to the two points - Lipulekh Pass in Uttarakhand and Shipki La Pass in Himachal Pradesh - from which it was already going on. (Vasan, 2006: 41-55)

On the Arunachal Pradesh border the traditional or informal trade relation in between the local people of our state and Tibet province of China has been carried on since time immemorial which was discontinued after the India-China conflict in 1962. However, the Union Government of India with its all out efforts, has actively been pursued for re-establishment of the past trade points under Indo-China sector. Up till now, no LCS could be approved by the Union Government, under Indo-China Trade Points due to want of clearance at the bilateral levels. The past flourishing trade points under the India-China sector are as under: -

(Arunachal Pradesh Government, Department of trade and commerce)
a) Kenzamane (Zemithang Circle) Tawang District, Arunachal Pradesh, location and its connectivity

Kenzamane is located in the historical and beautiful valley of Pancham Valley under Zemithang administrative Circle of Tawang district. The actual distance from Kenzamane to Zeminthang is 13 Kms only. Out of this 4 Kms have already been constructed by state PWD Department. The 14th Dalai Lama used this road when he fled from Tibet to enter India. As a result, this road is treated as the most sacred road by the Buddhist people.

b) Bumla Trade Point (Indo-China), location and its connectivity.

Bumla is 37 kms away from Tawang. From Tawang to Y-junction is 22 Kms which is metalled and the rest 15 Kms is graveled which opens for 5-6 months in a year, i.e. June to October and from November to May the road communication is cut off due to heavy snowfall. This road is one of the shortest connectivity points to china from Tawang (India). In the Chinese side, the geographical terrain and landscape is far better than Indian side. Shyo (China) is 3 Kms, Kachin- 5 Kms, Dengding 6 Kms and Nyagdo 8 kms from Bumla. The nearest major town of Chinese side, Tsonajong is 43 Kms from Bumla border post. It is a district head quarter town as well as Brigade head quarter connecting Gordung-Lhasa-Beijing trunk Highway. It is connected by all weather metalled road to Tsethang (district head quarter in Tibet, China) by a distance of 508 Kms from Bunmla (India). Once the border trade agreement is made between India and China, the border trade could be operationalised and very easy from this point.

c) Gelling (Kepangla Pass) Trade point, location and its connectivity.

Kepangla Pass is located 4 Kms away from Gelling Administrative Circle under Tuting Sub-Division of Upper Siang district. Construction of road from Gelling to Tuting is almost completed. Before 1962 Sino-India conflict, the barter trade was prevalent and flourished through this trade point in between the local people Siang district and the people of erstwhile Tibet.
d) Mechuka (Lolla Pass,) location and connectivity.

Lolla Pass is located in the Mechuka sub-Division, West Siang district. The actual distance from Lolla Pass to Mechuka is 35 Kms out of which 14 Kms up to Yorlung has been black topped and is in all weather road condition. The further construction of the remaining portion is being undertaken by BRTF on a war footing. There is one ALG (Aircraft Landing Ground) available in Mechuka. Barter trade was also once flourished through this Pass before 1962 India-China conflict, however, after discontinuation of trade in 1962 war, the Memba tribe, who are basically a skilled business tribe, have been reduced to small time farmers which do not suit to them.

e) Monigong (Dumla Pass), location & connectivity.

Dumla Pass is located in the Monigong Circle under Mechuka Sub-Division of West Siang district of Arunachal Pradesh. The actual distance from Dumla Pass to Monigong is 40-45 Kms. border trade is quite feasible in Dumla Pass since Saplegong, one of the major town in Tibet Province of china is about 45-47 Kms away from this Pass.

f) Kibithoo, location & connectivity.

Kibithoo is one of the remotest Circle head quarter of Anjaw district of Arunachal Pradesh. It is very close to India-China border which is only 7 Kms from Line of Control (LOC). Kibithoo is connected by all weather metalled road from Tezu (district head quarter) of Lohit district. Mule/porter track exists up to interior parts of China which is still used by the local people and defense personnel of both the sides. Before 1962, Kibithoo was one of the most flourishing centers of trade under India-China border. The records collected by the Department Arunachal Pradesh say that during 1958 to 1960, 702 Indian traders had crossed over border while 874 Chinese traders had come over to India. The value of merchandise traded by Indian traders during that period stood at Rs 17,937/- while it was Rs 22,311/- by their counterpart. However, unrecorded volume of trade may be much higher than the recorded.
Commodities of export-import from India to China on Arunachal Pradesh Border.

i. Food grain items
ii. Chitranala oil, Pulse and tea.
iii. Seasonal green vegetables
iv. Garlic
v. Onion
vi. Dehydrated vegetable (Reddish, Turnip, Carrot and cauliflower etc)
vii. Mushroom (both moist and dry)
viii. Green chilies and capsicum (in fact whole of Tibet province fully dependent for chilies imported from Tawang.
ix. Spices
x. Fodder for cattle
xi. Medicinal plants (Herbs and shrub)
xb. Raw materials for making in cense sticks.
xc. Clay pottery items.
xd. Handicrafts items
xe. Barbets
xf. Wooden furniture
xg. Bamboo and bamboo products
xh. Woolen carpet
xi. Apple
xii. Kiwi
xiii. Wooden mask
xiv. Thanka painting
xv. Mineral salt
xvi. Computer software etc.

Commodities of export-import from China to India on Arunachal Pradesh border.

i. Milk and milk products
ii. Yak and sheep wool including pashmeena
iii. Silk
iv. Walnut  
v. Gold, silver, precious stones & gems  
vi. Articles of religious importance  
vii. Stone utensil  
viii. Mineral salt  
ix. Fish  
x. China blanket  
xi. Thermo plastic  
 xii. Electric goods  
 xiii. China clay bowl  
xiv. Dry meat etc.

India-China Economic Cooperation

China and India border on each other by mountains and rivers and share long-standing history of friendship. With the joint efforts of China and India, our bilateral economic and trade cooperation has entered into a period of unprecedented development in recent years. According to the statistics of China Customs, China-India trade volume reached USD 51.8 billion in the year of 2008, achieving an average annual growth rate of 43% over the past 8 years. (Liu, 2009:112)

One is the bilateral front, which has already become a vital part of China-India Strategic Cooperative Partnership. India’s bilateral trade volume of 2008 totaled US$ 52 billion, increasing by 34% over the previous year. China has become India’s largest trading partner and India is the tenth trading partner of China. But India’s bilateral trade only stands at merely one tenth of the world total, which is still very small and not compatible with the size of Indian population, which accounts for two fifth of the world total. As to the two-way investment, it looks even dwarf. How to further tap our trade and investment potential is a challenge to all of us. (Liu, 2009:112)

Broadly speaking, there are three ways in which India-China relations can fashion themselves and leave their imprint on the countries of South and Southeast Asia. The first perhaps the ideal situation where India and China co-operate in creating a positive external environment
in India region rather than pursuing a foreign policy approach based on balance of power. This implies India and China working together towards the common goal of establishment of a new equitable world order, in the creation of which the two countries will adopt common approaches. Indian common development goals will have positive influence not only on India-China relations, but also on the rest of the world. Those who subscribe to this point of view argue that developing Asia-Pacific region can easily accommodate the growing influence of both China and India.

**Stillwell Road between India-China**

British India has restarted construction on the Stillwell Road between India and China after the project was abandoned six decades ago. Hundreds of workers and engineers have been put in the project. The 1,736-kilometer-long Stillwell was abandoned after India became independent in 1947. It begins in Ledo, a small town in Assam and extends westward through Myitkyina in Myanmar to Kunming in China’s Yunnan Province. The Indian section of the road is only 61 kilometers long while those in China extend for more 632 kilometers. More than 1,000 kilometers is on in Myanmar, which is receiving financial aid from China to rebuild its sections for the Good transported along the road take only two days to go between India and China. Currently travel along sea routes between the two countries through the Malacca Straits takes at least a week. (Jeffrey Hays, 2008: 2)

**Infrastructure Development**

To expand bilateral trade between India and China, the emphasis should be on cross-border links and the quality of transport infrastructural facilities should be improved as there is lack of transport facilities as compare to China. The Northeastern region of India has no direct transport links with the South Western region of China as on Indian side there is no infrastructure development. And under this sector approval by the government was not granted due to want of bilateral clearance from the Government of India and China. As such, the department could not take up any proposal for development of infrastructural under this sector till today. (Ray and De, 2005: 30)

China’s so-called West development is thrusting into what was once the back of beyond. India too must develop its border states. There could be synergy here. Kibitho in Arunachal and
Rima in eastern Tibet could be revived as trade marts as much as Leh and Kashi (old Kashgar, across the Karakoram Pass in Xinjiang), where India had a consulate until 1949. (Verghese, 2003:2)

There is poor infrastructure facilities along the India-China border in Sikkim, India should vigorously pursue for taking urgent steps to develop the frontier areas to match China. There is no comparison between the two sides. Infrastructure on the Chinese side is far superior. They have gone far in developing their infrastructure.

**Trade through Nathu-la Pass**

The interaction between the two nations are to be seen in various levels like the political, military, academic, media, sports, culture, and economic. The potential of India China border trade has been another benchmark in the bilateral relationship.

Looking in to the background of the potential of India China border trade it was initiated in the year 2003, with the Chinese and Indian governments signing of the Memorandum of Understanding on the Expansion of border trade to re-open the silk route for bilateral trade involving the traders of Sikkim and Tibet Autonomous Region (TAR). Under this it was agreed upon that the border markets through Nathu-la Pass would be opened for trading. The delegation from the Indian Ministry of Commerce and Industry visited Tibet, an autonomous region of China to discuss the specifics. The Potential of India China border trade would promote the trade cooperation and the development of the bilateral relations between the two nations. (Lama, 2005:85)

The Nathu-la border trade markets can be beneficial to the border inhabitants of both countries. India and China along with promoting local receptiveness and development. Moreover the potential of India China border trade also enhances to motivate and pioneer a new channel for the upcoming China-India trade relations. It is believed that with the passing of time the Nathu-la border trade markets will grow and boost the China-India friendship bond, increasing the cooperation and common prosperity. Not only these, in future it will in fact serve the interests of peoples of both the nations and earmark an important step towards the final solution of the long-standing boundary question.
Border trade from Nathu La, located at an altitude of 14,200 feet on the India-China frontier, the process for issuance of trade passes for interested traders for their participation at the annual border trade. The traders have been asked to submit their application with the authorities for issuance of passes to them every year.

Border trade in the bilateral trade relations between India and China, marking the future prospects of trading for both the nations. The India-China border trade started in 2006, between Tibet, an autonomous region of China, and India through Nathu-la Pass, which was reopened after a long gestation period of 45 years. It was decided that the Potential of India-China border trade would facilitate export of 29 commodities from India to China and import of 15 commodities from China to India. But trading has never been easy between India and Tibet, neither in the days of Warren Hastings and Curzon, nor in the days of Atal Behari Vajpayee and Manmohan Singh. The experience of the first three months of border trade across Nathu-la proves it again. Between July 6, 2006 when India-China trade across the Sikkim border resumed after 45 years and September 28, 2006 when trading was closed for the year the volume of trade has been minuscule.

According to figures available with Sikkim government, the value of imports from China was Rs 1,083,150 and the value of exports was Rs 887,285 a total trade value of just about Rs 19.7 lakh.

In this period, the total number of trips made by Indian traders to the Chinese side of the border at Rinchengang trade mart was 696, while the total number of visits made by Chinese traders to the trade mart on the Indian side at Sherathang was 1,253.

The items traded reveals that the main export has been rice while the main item of import has been wool. Numerous restrictions and problems have come in the way of expansion of trade during this period. Among them are inadequate infrastructures and restrictions on the timings.

Another restriction is that, Indian traders are not allowed to stay at Rinchengang overnight nor are Chinese traders allowed to stay in Sherathang. So, a trader has to start his day at 3.30 am if he wants to do trading at Rinchengang and come back the same day.
That the Indian Customs allow only 29 export items and 15 items of import is also considered to be a major restraining factor, though experience shows even many of the listed items have not been traded much. One peculiar restriction is the one on transactions per trader per day; the limit is only Rs 25,000.

It discourages traders from dealings in large scale. As a result some traders have devised ingenious ways of circumventing the rule, like one family obtaining four trades passes a day so that the volume of transactions can be Rs 1 lakh. Traders from the Chinese side, too, resort to similar methods. Though the Sikkim government is planning to submit a memorandum to the government requesting to raise the Rs-25,000 limit.

The difficulty was somewhat by passed by citing the instances that border trades with Nepal and Myanmar were allowed up to a limit of Rs 25,000. The Sikkim government, in a letter to the Centre on July 18, 2006, pointed out that traders in Uttarakhand and Himachal Pradesh are doing business with their Chinese counterparts under a similar arrangement. Finally, an "internal instruction" was issued so that the same rules can be applied at Nathu-la too.

Traders who had been to Rinchengang say the facilities are more developed in the trade mart in Tibet than at Sherathang. There are two godowns, each of 100 tonne capacity on the Chinese side while on the Indian side the capacity of the two godowns are one-fourth of that.

Between Rinchengang and the border, the road is yet to be metalled. Beyond Rinchengang there is a four-lane road up to Lhasa. The arrangement for display of goods is also better on the Chinese side with Rinchengang having 30 well laid-out shops and good communication facilities while Sherathang having 12 congested ones.

Issues like increasing the ceiling on volume of trade and adding more items on the list are under consideration. (Banerjee, the Times of India, Oct 23, 2006,)

The trade, of 2009 had been beneficial for the Indian traders who had registered an export volume at Rs1.35 crore. The import volume had stood at Rs 2.96 lakh with the Indian traders evincing little interest in importing goods from Tibet Autonomous Region TAR. (Nathu La border trade to resume, Hindustan Times, May 3, 2010)
Scope of trade activities

The once flourishing trade in between the local people of India and the people of Tibet now province of china was discontinued abruptly after 1962 India-China conflict due to certain bilateral compulsion with the neighbouring country. Once, it is cleared and re-activated, it will resume as was done in the past. Moreover, the geographical condition of Tibet province of China is Arid Zone, and the province is very far away from their mainland, therefore, the export of Agriculture and Horticulture products is immensely potential to meet up their demands and needs. (Ranganathan and Khan, 2004: 34)

Potential of India-China Border Trade

Though India-china trade has not been significant due to historical reasons, there is tremendous potential for increasing the trade flow between the two countries. There are also many opportunities for trade. (Singh, 1996: 120)

India’s Northeast Region (NER) and China’s Southwest, both the regions are rich in natural resources and far away from the heartlands. India’s NER has deposits of coal, limestone, clay, dolomite, graphite, crude oil and natural gas. Apart from these, commercially viable reserves of minerals like kaolin, silimanite, glass, sand, quartz, feldspar, white clay and uranium have been found in the region. Besides minerals, the region is having huge water resources. Apart from minerals, water and hydroelectric power potential, India’s NER is also rich in forest resources. (Das, 2005: 124-125)

Similarly, the Tibet Autonomous region of China is also rich in natural resources. More than seventy types of minerals occur in Tibet. Important among them are: chromite, lithium, copper, boron magnetite, barite, arsenic, gypsum, pottery clay, muscovite and peat. However, unlike India’s northeast, Tibet is poor in coal and natural gas, but like India’s northeast, Tibet is also rich in plant and hydroelectric energy resources. (Das, 2005:125-126)

In spite of having rich resource base, the production structures in both India and China’s Tibet have remained traditional. The resource-industry linkages remain very weak. Like NER, Tibet is most backward region in China. About 74 percent of the work force in Tibet is associated
with primary sector, 6 percent is engaged in the secondary sector, and rest 20 percent is engaged in tertiary sector. (Das, 2005:125-126)

Unlike other regions the India’s NER is bounded by four neighbouring countries. It shares 98 percent of its border with them and only 2 percent with rest part of India. NER’s border with Bangladesh spans about 1940 kms, with Bhutan 650 kms, with China about 1000 kms and with Myanmar about 1450 kms. So being landlocked and far away from the mainland market places the development interest of NER lies in border trade with the neighbouring countries in terms of both cost and distance than the mainland’s large market places. Like India’s NER, the economy of Tibet also exhibits the peripheral syndrome. Both the regions suffer from lack of access of market. In fact the border trade is being increasingly viewed as a strategic parameter for the development of the border provinces. (Das, 2005:131)

Trade and Energy Potentials between India and China

Hydro-Electric Power

India’s NER has all resource to become the future powerhouse of India. The potential developed in the Northeastern States is only 253 MW, which is about 0.8 percent of the total available potential. More than two-thirds of India’s total hydropower potential (84,000 MW) exists in the Northeastern region. (Ghosh and De, 2001:4)

The State of Arunachal Pradesh is known as the powerhouse of northeast India. The untapped hydro power potential is estimated at 49,000 MW, of which only 23.8 MW (just about 0.05 percent of the total potential) has been harnessed. Some of 15 projects with a total installed capacity of 50 MW are being set up. For the ecological regions, this state favoured power generation projects based on “run- of- the river system” and mini and micro hydel projects. (Ghosh and De, 2001:4)

With 8000 MW of hydro-electric potential, ample opportunities exist for private sector investment in Sikkim. Meghalaya is one of the few states in country with a surplus capacity of power generation. The total installed capacity of this state is 185 MW. Meghalaya has a power potential of about 3000 MW. The excess power generated in his state is presently being sold to neighbouring states. In case of Nagaland, there are prospects for future power
generation through (a) Shilloi hydroelectric project (6 MW) and (b) Tizu-Zungki basin (2000 MW). The current generation of power in Nagaland (micro-hydel is about 2.3 MW, and the projected generation (under way) is about 30 MW. (Ghosh and De, 2001:5)

Coal

Mineral reserves in Arunachal Pradesh are reported as follows: coal- 84.23 million tones, dolomite- 154.13 million tones, limestone- 409.35 million tones and semi limestone- 45.82 million tones. In Meghalaya, the coal reserves are concentrated in the West Darrangiri of the Garo hills possessing about 127 million tones. (De, 2002: 19)

Natural Oil and Gas

Assam accounts for nearly 50 percent onshore crude oil production in country. It has over 1.3 billion tones of proven crude oil and 156 billion cubic of natural gas reserves. Tripura has vast reserves of natural gas in non-associate form. The gas is of high quality, with methane contents of about 97 percent and without any presence of sulphur and other impurities. The OMGC has been actively engaged in exploration activities in this States since 1972. The availability of superior quality natural gas, at concessional price, offer a great opportunity to prospective investors, to set up gas based industrial units, using natural gas as feedstock. The prospects of crude oil availability in Arunachal Pradesh have brightened after a few successful discoveries of new area as potential reservoirs for crude oil. The oil reserve may be more than 30 million tones in Arunachal Pradesh. (De, 2002: 19-21)

Commodities of Indian Exports to China

The principal items of Indian exports to China comprise of ores, slag and ash, iron and steel, plastics, organic chemicals, and cotton. In order to increase the extent of exporting Indian goods to China, however, there should be a special emphasis on investments and trade in services and knowledge-based sectors.

At present, iron ore constitutes about 53% of the total Indian exports to China. The other items that have potentials are marine products, oil seeds, salt, inorganic chemicals, plastic, rubber, optical and medical equipment, and dairy products. Besides these primary products there is great potential exists in areas like biotechnology, IT and ITES, health, education,
tourism, and the financial sector and all these will contribute to the services and knowledge based sectors.

The need is to shift the focus from primary exports to the export of diverse range of high value added products, including -

- Auto engine components and automobiles
- Organic and inorganic products
- Pharmaceuticals
- Metal and metal based products like alloy steel bars and rods
- Agricultural products like grains, tobacco and oilseeds
- Engineering goods like diesel engines and compressors
- Marine foods
- Fresh and processed fruits and vegetables
- Medical and optical diagnostic equipment and laboratory equipment
- Consumer durables
- Textile yams

Such diversification of Indian exports to China clearly indicates that there exists a steady demand for these products in the Chinese market.

**Barriers for Indian exports to China**

There are certain obstacles faced by Indian exporters in their attempts to capture the markets of China. Lack of information on customs procedures, imposition of excessive customs and other levies with frequent rate changes, complex customs valuation procedure, absence of a specified nodal agency, lack of transparency regarding technical standards, differentiated testing norms for imported and domestic products, unfamiliarity with regard to provincial
rules and regulations, and frequent change in policies without any advance information on those changes are just some of those problems. (Ranganathan and Khann, 2004: 35)

In order to increase the level of Indian exports to China, there should be a continuous interaction through exchange of delegations, enhancing participation in each other's trade fairs and seminars and facilitating trade through positive initiatives.

**Chinese exports to India**

Chinese exports to India focuses on resource based exports as well as the exports of manufactured products. China has emerged as a global manufacturing center and India as the most lucrative market in the world. In 2004, the Chinese exports to India stood at US$ 5926.67 million. However, it industrialists in India were not in favor of China being given free access to the domestic markets. But bilateral trade relations between India and China have increased over the years, reaching US$ 18.7 billion in 2005 from US$ 4.8 billion in 2002. However, the bilateral trade is to be increased further to US$ 20 billion by 2008 and further to US$ 60 billion by 2010.

**Composition of Commodities of Chinese Exports to India**

The main items to be exported from China to India are electrical machinery and equipment, organic chemicals, nuclear reactors, boilers, machinery, silk, mineral fuels, and oils. Value added items also dominate Chinese exports to India, like machinery, specially electrical machinery, which forms about 36% of Chinese exports to India.
Table-3

Growth of India-China total trade (export-import)

<table>
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<tbody>
<tr>
<td>1</td>
<td>Export</td>
<td>5,615.88</td>
<td>6,759.10</td>
<td>8,321.86</td>
<td>10,871.34</td>
<td>9,353.50</td>
</tr>
<tr>
<td>2</td>
<td>% Growth</td>
<td>20.36</td>
<td>23.12</td>
<td>30.64</td>
<td>-13.96</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>India's Total Exports</td>
<td>83,535.94</td>
<td>103,090.53</td>
<td>126,414.05</td>
<td>163,132.18</td>
<td>185,295.36</td>
</tr>
<tr>
<td>4</td>
<td>% Growth</td>
<td>20.36</td>
<td>23.12</td>
<td>30.64</td>
<td>-13.96</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>% Share</td>
<td>6.72</td>
<td>6.56</td>
<td>6.58</td>
<td>6.66</td>
<td>5.05</td>
</tr>
<tr>
<td>6</td>
<td>Imports</td>
<td>7,097.98</td>
<td>10,868.05</td>
<td>17,475.03</td>
<td>27,146.41</td>
<td>32,497.02</td>
</tr>
<tr>
<td>7</td>
<td>% Growth</td>
<td>53.11</td>
<td>60.79</td>
<td>55.34</td>
<td>19.71</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>India's Total Imports</td>
<td>111,517.43</td>
<td>149,165.73</td>
<td>185,735.24</td>
<td>251,654.01</td>
<td>303,696.31</td>
</tr>
<tr>
<td>9</td>
<td>% Growth</td>
<td>33.76</td>
<td>24.52</td>
<td>35.49</td>
<td>20.68</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>% Share</td>
<td>6.36</td>
<td>7.29</td>
<td>9.41</td>
<td>10.79</td>
<td>10.7</td>
</tr>
<tr>
<td>11</td>
<td>Total Trade</td>
<td>12,713.86</td>
<td>17,627.15</td>
<td>25,796.89</td>
<td>38,017.74</td>
<td>41,850.52</td>
</tr>
<tr>
<td>12</td>
<td>% Growth</td>
<td>38.65</td>
<td>46.35</td>
<td>47.37</td>
<td>10.08</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>India's Total Trade</td>
<td>195,053.37</td>
<td>252,256.26</td>
<td>312,149.29</td>
<td>414,786.19</td>
<td>488,991.67</td>
</tr>
<tr>
<td>14</td>
<td>% Growth</td>
<td>29.33</td>
<td>23.74</td>
<td>32.88</td>
<td>17.89</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>% Share</td>
<td>6.52</td>
<td>6.99</td>
<td>8.26</td>
<td>9.17</td>
<td>8.56</td>
</tr>
</tbody>
</table>

Source: Department of Commerce (Export-Import Data Bank) Government of India, 2010

Note: The country's total imports since 2000-2001 does not include import of Petroleum Products (27100093) and Crude Oil (27090000)

Illustration of the table:-

1. By and large, the balance of trade remained in China’s favour during this phase, total bilateral trade had grown rapidly from US$ 12,713.86 in 2004 to about US$ 41,850.52 by the end of 2009.
2. The fastest growth in total trade was in 2007-2008 (47.37%) and the lowest in 2008-2009 (10.8 %)
3. Indian exports also registered substantial growth except in 2008-2009, when Indian export decline by 13.96 %.
4. On the other hand Chinese exports grew steadily.
Recent Developments regarding Chinese Exports to India

In the beginning, Chinese firms were keen on exporting cheap electronic items, garments, and toys to the Indian markets. But recently, Chinese exporters have been focusing on the cement market. Two Chinese cement companies, Yingde Dragon Mountain Cement company Ltd. and Longkou Fanlin Cement Company have been authorized to sell cement in Indian market. The reasons behind the sudden interest of the Chinese cement companies in penetrating the Indian market are that China is the world's largest cement producer and that the per capita cement consumption is relatively low in India around 150 kilogram per annum, less than one-third of China's per capita consumption, as in 2006. An Ahmadabad-based textile company is acting as the local agent of the Chinese firms in India. (Ranganathan and Khann, 2004: 36)

Indian IT Exports to China

Indian IT Exports to China is an integral part of the total Indian exports to china, with the bilateral trade between the two countries amounting to US $ 11.3 billion during the year 2005 which under joint efforts is to be increased to US$ 20 billion or higher by the year 2008. The bilateral trades have significant growth potential in areas like IT and ITES.

Regarding the Indian IT Exports to China, the recent laws of china on restricting the foreign software companies selling software in China has been a setback for Indian software companies. The cordial bilateral trade relations however will soon ease out such tensions and there is a great possibility that Indian software companies will be allowed to sell software services to Chinese companies

Indian IT Exports to China has become a new bridge between the two countries facilitating the growth of bilateral trade and co-operation between the two countries. Not only software products, the Indian software companies also export IT based know-how’s to the Chinese software firms. Chinese officials and executives of almost all major Chinese software companies travel to the Silicon Valley of India or the city of Bangalore in order to learn the essence of India’s software industry.
Many Indian software firms under the Confederation of Indian Industries signed a Memorandum of Understanding with the Shanghai-Pudong Software Park of China to promote Indian and Chinese co-operation in software. Moreover in order to accelerate the Indian IT Exports to China.

Some of the major Indian software houses like NIIT, Mphasis, Infosys, Satyam, and Tata Consultancy Services have been outsourcing in China. They on one hand in an advantageous position due to their superior traditional skills in terms of management compared to the weaknesses of Chinese developers. Moreover with the help of the local and language-specific expertise of Chinese professionals, the Indian firms can capture the Chinese domestic market as well as other ones in the Far East Asian countries. Moreover the conducive conditions of China like the upcoming opportunities in China, her economic growth, political stability, and human resources makes China an ideal place for establishing a second global delivery center for Indian software firms.

The China and India are major competitors in the global market and have a lot to gain through trade and cooperation with one another. Diplomatic and trade relations have taken off as their economies have expanded. China is India’s largest trading partner. India is vying with China for economic influence in Asia. The economy of China is three times the size of the economy of India. India depends on China for energy imports.

**Prospects of India-China Trade**

In 2003s Vajpayee’s visit to China the announcement was shrouded in curious semantics on account of Chinese diplomatic compulsions in admitting de facto recognition of Sikkim as part of India is less germane than the fact that it restores a long interrupted engagement that promises increasing dividends in the future. Sikkim and Kalimpong-Darjeeling were adversely affected by the closure of the Himalayan border as was Tibet, which suffered the loss of a cheap and convenient source of Indian supplies and the proximity of Calcutta port, its nearest ocean outlet.

The resumption of Sikkim-Tibet trade will open up a large segment of the Northeast’s international boundaries that constitute 99 percent of its external perimeter. The remaining one percent is made up of its tenuous 22km link with the Indian heartland through the Siliguri
It will, however, require changed mindsets if the proposition is to be meaningfully acted upon. The country is beginning slowly to set aside the bogey of being swamped by cheap Chinese goods, with Indian manufacturers gamely taking on the competition at home and abroad. But there are still some in Government who not only fear dumping but subversion should the country open its borders too wide and too soon in the already “sensitive” Northeast. However, the fact is that all manner of goods, Chinese and otherwise, are even now being smuggled into the region. The danger lies not in opening up too readily but in unwisely bottling up the Northeast whose people see great opportunity in restored external connectivity.

The Northeast was denied access to its immediate neighbourhood in China, Tibet, Myanmar, Bangladesh, Bhutan and Nepal in recent history. Now that those doors are opening, it is absurd for anyone to argue that they be kept locked. Geo-political isolation, market disruption and loss of economic opportunity have fuelled insurgency. Peace needs development as much as development needs peace but the Government has regrettably taken a rather limited view of regional and sub-regional cooperation. The unused Moreh-Tamu-Kalewa road and Guwahati international airport bear sad testimony to misplaced caution and lack of integrated thinking. Hopefully, the opening of the Sikkim-Tibet border marks a new beginning. An early settlement of the Sino-Indian boundary question would certainly be a boon. However, in political parlance, a boundary is no more than a line demarcating one sovereign entity from another. Yet the term “border” is often conversationally employed as a synonym for boundary whereas in fact it describes a zone of transition from one regime to another, whether in terms of people, language, culture, the economy or environment. Ultimately what matters is the nature rather than the fact of a boundary. (Nair, 2005:190)

So while focusing on boundary demarcation, management or defence, it is equally necessary to develop a border policy, which implies relationships across boundaries. Unfortunately there is a dichotomy in official policy here with the Government being more concerned with
boundaries than with borders. When India-China trade and cooperation is discussed, the discourse invariably tends to focus on great metros and advanced regions rather than on physically contiguous but conceptually distant and often forgotten border regions. The immediate India-China neighbourhood is not made up of busy development corridors but by Tibet, Yunnan, Sichuan and Xinjiang on one side and India's Northeast, West Bengal, North Bihar, Uttrakhand, Himachal and J&K on the other.

Border trade often starts small, improving individual and community livelihoods, but fosters infrastructure and links that progressively facilitate larger national transactions with lower transaction costs. Development of the border regions and exchange across them would establish inviting corridors between India and China. The so-called Kunming Initiative for an overland regional partnership between Bangladesh, (Southwest) China, (Northeastern and Eastern) India and Myanmar in a BCIP quadrant has been mooted for some years at a Track-II level. The South Asia Development Quadrangle lies dormant and the Mekong-Ganga Association is yet to take off. These ideas need to run. Some links are in place. A Sikkim-Tibet initiative could soon connect these overlapping regions and sub-regions along yet other coordinates.(Verghese, Business Standard, 12 July, 2003)

**India-China Trade: Memorandum of Understanding to boost bilateral relations**

India and China both have emerged as the formidable players in global economics. India and China further boosted their bilateral ties by inking memorandum of understanding for cooperation in rail, housing, geo-sciences, land resource management and other sectors besides a shared vision for the 21st century of the two countries.

While the MoU covering the rail sector will promote cooperation between Chinese Railways and Indian Railways, the agreement on housing will provide a basic framework for cooperation between the two countries. A protocol of phytosanitary requirements for the export of tobacco leaves from India to China and a memorandum on cooperation between Geological Survey of India and China Geological Survey in Geo-Sciences were also inked. The two countries propose to jointly plan and promote their respective traditional systems of medicine through the MoU signed between the Department of Ayush of the

Other agreements included those between the Indian Council of Cultural Relations (ICCR) and Chinese People's Association for Friendship with Foreign countries on cooperation in culture, between NABARD and Agricultural Development Bank of China and between the Planning Commission of India and National Development and Reform Commission of China.

Target of two-way Trade

India and China raised the target for two-way trade between the two Asian giants by 50% pegging it at $60 billion for 2010. Taking up the case of Indian business against China's aggressive mercantile practices which have resulted in India running a huge and still-growing trade deficit, India favoured removal of non-tariff barriers, administered exchange rates and a strengthening of an Intellectual Property Rights regime by the Chinese authorities.

Prime Minister Manmohan Singh, "All countries must compete in global markets." Then again, he also seemed to say that Indian businessmen need to do their own bit to ensure that the basket of exports to China did not consist overwhelmingly of iron ores and minerals. "I would urge Indian business to vigorously pursue opportunities for expanding non-traditional items of export," he said But he sounded sensitive to the long-held grievances of Indian businessmen, stressing the need for "greater market access for Indian goods" to help bridge the rising trade deficit. (Singh, 2008:18)

Khorakiwala strongly contested the suggestion that their constitutencies needed protection of government because they were unable to hold their own against the Chinese competition. The CII chief said fears that Chinese goods will swamp the Indian market forcing Indian enterprises to down their shutters have not come to pass.

But while asserting that Indian businessmen have more than held their own against the competition, he also said that certain features of the Chinese economy, such as the stake of government in most big units, were hurting Indian competitors by skewing the ground.

He continued, "There was no such cess in 2005 and today, it is as high as 25%. On the other hand, we are exporting iron ore for their need at an export duty realisation of only 1%."
He had also protested to China about the continued Chinese refusal to allow import of vegetables and fruits from India despite an agreement.

Still, there is recognition that Chinese practices were the main factor behind India's adverse trade deficit. This also explains why India is fighting shy of signing a Regional Trade Agreement even when projection on the volume of bilateral trade was drastically revised.

In 2005, the countries decided to aim for a $40 billion dollar volume by 2010. Now they have set their sights higher, confident of clocking $60 billion with no change in timeline. Indian business seems certain that the soaring volumes will benefit China more if the skew is not corrected. (Singh, 2008:18)

India’s trade is increasing with China but it needs to simplify rules and regulations governing trade. The two countries should compete and cooperate. Indian businesses have to diversify its "export basket " to China. Indian and Chinese government should work together to remove administrative barriers and simplify regulatory regimes. Both countries should develop a strategic plan for the future so that there is a vision for "economic cooperation." Both should learn from each other's markets and management styles and that competition is not inconsistent with co-operation. Indian and Chinese business leaders should develop 'a strategic plan' to strengthen business alliances and collaboration to turn the two countries into the world's dominant economic powers.

The two countries could develop profitable business models that factor 'in our complementarities and competitive strengths and the special needs of large markets like ours. The opportunities are many and innovation is the key to exploiting them'. Doing business is about developing understanding and trust in your partners.

Manmohan Singh, a strong advocate of close Sino-Indian economic ties, said that as the 21st century unfolded, 'both India and China stand poised to regain their weight in the global economy'.

India could also supply quality agricultural and marine products to the Chinese market. The two governments also needed to work together to remove administrative barriers and simplify regulatory regimes to move forward in areas such as construction and engineering, education, entertainment, financial services, IT and IT enabled services, transport, tourism and health. We must strengthen the base of our economic cooperation through business alliances and
collaboration in technology transfer and development. We seek to promote bilateral investments in traditional sectors such as petrochemicals, steel, healthcare, IT and automobiles.

Equally, our entrepreneurs should explore opportunities in new areas such as biotechnology, advanced materials, renewable energy and low carbon technologies. Two economies are becoming engines of economic growth and must use our natural and human resources, technology and capital for the common benefit of the region.

With bilateral trade defying expectations, when Chinese President Hu Jintao visited India in 2006, both countries had set a trade target of $40 billion by 2010. But that target has almost been achieved three years ahead of time with bilateral trade almost touching $39 billion.

Two sides signed over a dozen MoUs in a bid to give the visit some weightage. The MoUs, which cover safe areas, include expanding co-operation in the area of railways, housing, traditional medicine, geo-sciences land resource management, land administration, resettlement and rehabilitation and the setting up of an India-China joint medical mission. The MoU on export of tobacco from India to China will be signed between NABARD and the Agriculture Bank of China.

The study of the report of the joint task force on a regional trade agreement (RTA) between the two sides. The report is positive about an RTA. However, India is likely to go slow on the matter. New Delhi is, anyway, worried about the increasing trade deficit and the lack of diversification in the trade basket. Since 2006, the trade deficit has risen from around $4 billion to almost $9 billion. Meanwhile, the two sides also explore the option of undertaking joint ventures in the energy sector in the Third World countries. China asks India to ease restrictions against Chinese companies. Beijing has been seeking a level playing field for its companies which are keen to invest in India.

**Free Trade Area with China**

India is desirable to have a free trade agreement. There are things to be worked out and both expect some cooperation in areas like chemicals and pharma. But the low cost products has
forced India to stop making some products and India even wants to extent of asking for an import duty on Chinese products to protect the industry. This study comes in China, and with China pushing for a free trade agreement, which India is reluctant to enter into. According to the study 'Rising Chinese Imports to India', top items of import from China witnessed phenomenally higher growth rate than the growth of overall import of these items by India in the last six years.

India may have got some ammunition to ward off a free trade agreement with China. A study has revealed a steep growth in major manufactured goods imports from China. What we could end up with is a larger regional trade agreement and some difference in the non tariff barriers as India gets ready to step up the $60 billion bilateral trade figure to a new record.

**Indian Govt. protection to domestic industry on Chinese exports**

Bilateral trade between India and China is growing rapidly and the target of $60 billion by 2010 may be realised earlier. But India has trade deficit with China. Besides, the Chinese currency is pegged to the dollar and is not a free floating currency. With an artificially pegged currency and subsidies, many of which are hidden, the government feels merit in the case of the Indian industry that Chinese exports have an unfair advantage, even if the infrastructure situation in India is not factored in. Earlier, a joint study group, a precursor to a trade pact, had recommended a regional trade agreement. The Indian government, had, however, put the idea on the backburner due to concerns of the domestic industry. It got a fresh lease of life when the two countries decided to seek a second opinion, an unusual development for most trade negotiations that India has undertaken so far. A report by the National Council of Applied Economic Research, which had been tasked by the Indian government to analyze the impact of a trade deal, has found areas of comparative advantage for products from both India and China. While both countries have advantages when it comes to textiles, silk and iron and steel, China seems to have an upper hand in the manufacturing sector. (Das, 2005:123-126)

**India’s position Compare to China**

To get better trade deals, with China and to open the market for exports; use our strengths to drive bargains so runs the advice. While all this would indeed be desirable, the hoopla diverts
our attention from a fundamental fact, good bargains are struck between equals. In the case of India and China, that is far from being the case.

Take a look at some basics of the two economies. China's gross domestic product, adjusted to the purchasing power of its currency, was $5.33 trillion in 2005. This was more than double India's GDP of $2.34 trillion. China has 1.3 billion people compared to India's 1.12 billion, and the per capita GDP works out to $4,091 for China, way ahead of India's $2,126.

India exported goods worth $126.4 billion in 2008, while China's exports were nearly eight times more at $969 billion. China's exports exceeded its imports by over $178 billion, while for India, it was the other way round imports exceeded exports by over $60 billion.

This sustained trade surplus has led China to accumulate an enormous foreign exchange reserve pegged at about $1.6 trillion, almost 6 times that of India's $276 billion reserves.

A majority of the people, although less and less in China, earn their living through agriculture. But the difference between the two countries in this crucial sector are stark. India produces 108 million tonnes of food grain from its 146 million hectares of cultivated land. China produces 400 million tonnes of food grain from just 100 million hectares.

It is possible due to, more equitable and better-managed farming, yields in Chinese farms. They are far above the levels found in India.

For instance, Chinese farmers are able to produce 6,233 kilograms rice per hectare, which is more than double what the Indian farmer can produce (3,034 kg/ha). The story is similar for wheat where per hectare production is 2,688 kg for India, and 4,155 kg for China.

The difference lies not in hard work, but in the fact that inputs like water and fertilizers are available, machines are available and land holdings are remunerative. And, most crucially, public investment in agriculture is huge in comparison.

Another aspect in which India and China differ fundamentally is the condition of the people. It is often argued that India's huge population is an obstacle to prosperity. But China has a larger population, and it is much better off today than India's. According to the UNDP's
Human Development Report 2007, about 10% of China's population earns less than a dollar per day, while over 34% of India's population is below this benchmark. In case of, $1 per day is an extreme end, contemplate this proportion of population below $2 per day is about 35% in China but over 80% in India. Clearly, economic well being is much more evenly spread in China than in India. And, that is the vital sap that strengthens the country.

Other aspects of the life of people in the two countries show the gap too. Take health and nutrition. About 8% of Chinese babies are underweight, compared to a mind-numbing 47% in India. Infant mortality rate in China is 23 per thousand almost half of India's 56.

Maternal mortality death of mother in child birth is 45 per 100,000 live births in China. In India, it is ten times more at 450. That's not surprising since the Chinese government spends twice as much (as a proportion of its total expenditure) on health as its Indian counterpart.

With most of its population educated and healthy, and earning a fair wage, China stands on a relatively solid base of prosperity and stability. This is not to say that there are no problems. There is overcrowding of the cities with urbanization at over 40%, compared to about 29% in India. The scientific path of development, as it is dubbed by the ruling Chinese Communist Party, has also led to rural urban disparities. Unemployment has risen to 4.2% of the labour force. But, on the balance, the base is undoubtedly stronger.

China is our largest neighbour and also a focal point of our "Look East" policy. India should attach high priority to strengthening relations with China. India also established a Strategic and Cooperative Partnership for Peace and Prosperity. During President Hu Jintao's visit in November 2006 we laid down a ten-pronged strategy to qualitatively upgrade our bilateral ties. Our bilateral relations are now poised to enter a vibrant and dynamic phase, based on a common recognition that the growth and development of both India and China will make positive and long term contributions to regional and global peace, security and stability. We share a desire to enhance our relationship both bilaterally and at the global level.
Chapter IV

Trade
India should engage in the process of giving substantive content to the partnership through comprehensive economic engagement and developing mutually beneficial cooperation in the areas of science and technology, culture, education, defence and security, and increasing people-to-people contacts. Issues relating to the boundary and cooperation with regard to trans-boundary rivers should be discussed. India should discuss how both can work more closely on regional, multilateral and global issues. (Biyun, 2005:271)

It is my belief that regular Summit level interaction with China contributes to strengthening our cooperative engagement and enhancing mutual trust and understanding. Despite the differences over the boundary dispute and the protracted nature of the boundary resolution talks, both India and China have come to evolve a much more intensive relationship in the area of trade. Although the bilateral trade is yet to reach its full potential, the fact that both the countries have embarked on such a path reflects their commitment for rapprochement.

India-China has different social system, but they are both large developing countries, ranking second and the third in Asia, with huge populations. In the coming ten to twenty years, they would probably become the world’s two economic powers. In the context of accelerating, globalization, strengthened cooperation between the two large neighbours, would not only benefit the economic development of the two countries themselves, but also bring about peace and prosperity in Asia.