Chapter 2
Indo-China economical relations.
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“Open trade is not just an economic opportunity, it is a moral imperative. Trade creates jobs for the unemployed. When we negotiate for open markets, we are providing new hope for the world’s poor, and when we promote open trade, we are promoting political freedom.

American President George W. Bush

Indian Economy after the cold war-The New Beginning India has started the first step to shaping our history for the next generation. After decades of centralized economic policies, India on 24th July 1991 has gone on board to a reform program designed to modernize the economy, liberalized trade, and realize our economic potential. India welcomed private investment and competition and encouraged free market growth. Which resulted in India becoming globally competitive and the standard of living of the citizens is gradually on the rise. The impetus of these reforms had carried India into the 21st century as the single largest free market in the market in the world. Perhaps the most inspiring aspect of India’s ambitious economy to an open, export
oriented economy has occurred. Extensive changes have been undertaken in a short span of years, at the same time formulating prompt and effective measures to prevent severe social consequences which could have threatened future reforms. With these steps, together with popular support and a broad consensus across India’s diverse political gamut, the reform process has now acquired a momentum of its own. India’s vast domestic market, huge educated, skilled and semi-skilled work force, sound financial institutions and time-tested and democratic system offer tremendous investment opportunities for forward-looking companies.

**Indian stand on financial and technological cooperation**

As a one-time colony and one that has now come a long way in rise above the effects of colonial power and has attained self-reliance in miscellaneous fields. Indian economic and technical backing is eagerly sought by a number of developing countries. India provides many of these countries with its expertise in projects ranging from the construction of cement plants to airports and railway system. A number of Indian firms have been
active in this regard in South-East Asia, Africa and West Asia. The Indian Technical and Economic Cooperation (ITEC) programmed provide Indian expertise and consultancy services to a number of developing countries for feasibility and detailed technical evaluation studies.

The programmed supports training of personnel in India in a host of areas like agriculture, animal husbandry, small-scale industries, etc. India has established a standing for suitability and excellence in a number of areas. Developing countries are increasingly finding cooperation with countries like India a very attractive option. India provided facilities to students from Asia Africa for university education, especially in professional areas such as medicine, engineering architecture etc. in addition; thousands have been trained in Indian institutions in diverse fields such as railways, mass media, industrial consultancy business management, education, agricultural research, shipping and water resources management. As an accountable and progressive member of the international community, India is abiding her tireless efforts to bring about a constructive dialogue between the developed and
developing countries in their quest for a cooperative approach towards a new International Economic Order. India is convinced that the establishment of equitable International Economic Order involving structural and other changes is the only answer to the various economic ills and problems of development confronting the world today.

India & China have been a part of the global economy for centuries. Once isolated, each country began gradually to trade with the Middle East & Europe originally prized for such natural resources as spices and tea, each in time become valued as a market for western product and each experienced the rigouts of colonial explosion, industrial development and ultimately political independence.

2600 BC. [India]

Trade between the Indus valley and Mesopotamia

25-21 BC. [China]

The old silk route connects China with Indian oases and Arabian Sea ports

650 AD. [China]

Arab traders establish outposts in China’s coastal cities
Arabs invade India and trade begins between the two regions.

The Mongol conquest of China further commerce and development.

The Portuguese are the first European to restore trading links to India that were blocked by the Ottoman Empire. The Dutch and British soon follow.

British grants a monopoly over the India trade to the British East India trading company, which focus on spices, cotton, silk and sugar.

The east India Company ships opium to China in exchange for tea.

The sale of Asian silks and printed or dyed cotton is banned in England. A highly developed pre-industrial
Indian textile industry competition. India is becoming an agricultural colony of Britain.

1759  [China]

Chinese merchant families centered in Guangzhou (canton) are commissioned by the government to act as brokers with European companies.

1800  [China]

In China, urban areas and handicraft workshops flourish.

1842  [China]

Britain’s victory in the opium war leads to the opening to trade of Guangzhou and four of other ports. China cedes the barren island of Hong Kong to Britain.

Mid-1800s  [India]

The British introduce irrigation canals, railroads, modern banking and a system of commercial law in India. The export trade sees steady rise.

1869  [India]

The new Suez Canal lays the basis for the integration of the Indian economy into the world market.
1890s [china]

Japan, Britain, Germany, Russia & France carve up

Early 1900 [India]

Constitutional reforms allow India an increasing level of fiscal independence, including tariffs that encourage industrialization. In 1912, Tata co. financed and controlled by Indians begins to produce steel, hydroelectric power, textiles.

1914-20 [china]

WWI allows a wave of industrialization in China, and an annual growth rate of 13.8% modern banking begins.

1940’s [India]

Indian industry grows rapidly during WWI.

1947 [India]

British rule comes to an end in India. Under congress party rule. The public sector dominates in manufacturing & bank is nationalized corporate dynasties such as Tata, Birla & Bajaj grows to account for 15% of economy.
The communists win China’s civil war and initiate land reforms and a collectivization of agriculture major advances take place in healthcare and education.

1950s  [India]

Civilian space research begins in India

1958  [China]

The Great leap forward a mass mobilization to effect economic transformation, proves disastrous millions die amid famine

1960s  [China]

U.S. aid helps Taiwan develop. Production for export soars especially in consumer electronics steel, computer, military, and hardware’s.

1970s  [China]

The communists’ economic program allows some free-market activity. Small-scale rural industry. After Mao-Tse-Tung’s 1976 death leaders including Deng Xiaoping began emulating the market economies of China’s Asian neighbors.

1979  [China]
Foreign investment is legalized, special economic Zone are established along the southeast coast and Yangzi River.

1990 [China]

The first stock exchange since 1949 opens in Shanghai capitalism begins changing the face of Shenzhen.

1982 [India]

Beginning as a 12-person outfit, Infosys technologies develops software for global corporations. The outfit grows at a rate of 40% per year for a decade.

1984 [India]

Rajiv Gandhi, Prime Minister from 1984-89, encourage high-tech development

1991-97 [India]

A balance-of-payment crisis due largely of Gulf war related oil-price shocks leads to borrowing from the IMF & world bank. Economic reforms follows including opening state controlled sectors to private investment & a liberalization trade policy. Between 1993-97 economic growth average 6.8% per year.
1997  [China]

The communists announce that state-owned industries to be phased out. China’s economy is growing faster than almost any other in history. Say the World Bank. A transition to china rule begins in Hong-Kong.

2000  [India]

Indian soft ware firms’ blossoms as the Y2K scare ends. General electric and other multinationals build R&D facilities in Bangalore which becomes a global hub. The auto-parts industry, pharmaceuticals and chemicals becomes major exporters.

2001  [China]

China enters the World Trade Organization committing itself to sweeping liberalization in virtually every industry.

2003  [China]

A fourth generation of communist leaders over led by Hu Jintao & wen Jerboa
Trade Relation.

Among the most encouraging recent development in India China Economy and India-China ties is the rapid increase in bilateral trade. A few years ago, India Inc had a fear of being swamped by Chinese imports. Today’s, India enjoys a positive balance of trade with China. In 2004, India’s total trade to China crossed US $ 13.6 billion, with Indian exports to China touching $ 7677.43 million and imports from China at US $ 5926.67 million. But major industry players in India feel there is no need to give the Chinese a free ride into the domestic market so early. This is particularly, when India and China have been directly competing across several stems from product categories. And that too, when both the applied and bound import tariffs are higher in India compared with China. India industry’s ambivalence over the proposed Indo-China FTA stems from concerns over previous FTA’s signed by the government. There’s a feeling that some of these FTAs were signed in haste, and without adequate homework. Result: There has been confusion about the country origin issues as well as the items to be put in the early harvest lists. China and India established diplomatic relations on April 11950, India
was the second country to establish diplomatic relations with China among the non-socialist countries in 1954, Chinese Premier Zhou Enlai and Indian Prime Minister Nehru exchanged visits and jointly initiated the famous Five Principles of Peaceful Coexistence, Indian Prime Minister, Rajiv Gandhi’s visit to China in December 1988, facilitated a warming trend in relations. The two sides issued a joint statement that stressed the need to restore friendly relations on the basis of the Panch Sheel and noted the important of the first visit by an Indian prime minister to China since Nehru’s 1954 visit. India China Economy agreed to broaden bilateral ties in various areas; working to achieve a “fair and reasonable settlement while seeking a mutually acceptable solution” to the dispute.

Rajiv Gandhi signed bilateral agreements on science and technology cooperation, on civil aviation to establish direct air links, and on cultural exchanges. The two sides also agreed to hold annual diplomatic consultations between foreign ministers, and to set up a joint ministerial committee on economic and scientific cooperation and a joint working group on the boundary issue. The latter group was to be led by the Indian
foreign secretary and the Chinese vice minister of foreign affairs. As the mid-1990s approached, slow but steady improvement in relations with China was visible. Top-level dialogue continued with the December 1991, visit of Chinese premier Li Peng to India and the May 1992 visit of China of Indian President Ramaswami Venkataraman. Border trade resumed in July 1992, after a hiatus of more than thirty years, consulates reopened in Bombay for Mumbai in the Marathi language and Shanghai in December 1992, and. In June 1993, the two sides agreed to open an additional border trading post. Though, Rajiv Gandhi’s visit to China in December 1988, is usually identified as a turning point and break-through in India-China relations, it should also be noted that many years of pervious effort had a contribution to it…. in 1976 the two countries decided to restore ambassadorial-level diplomatic ties after a gap of 15 years. The next major step was foreign minister Vajpayee’s visit to China in February 1979. The first high-level visit between the two countries since 1960. In 1984, India & China signed a Trade Agreement, providing for most favored Nation Treatment. In 1994, the two countries signed the agreement on avoiding double taxation. Agreement for
cooperation on health and medical science, MOUs on simplifying the procedure for visa application and on baking cooperation between the two countries have also been signed. The Chinese economy was decentralized in 1978 and major economic reforms were introduced which created conditions for rapid economic growth and structural changes in China in 1980, China’s share in world trade was less than one percent, and it started permitting foreign direct investment (FDI) in 1999, China had grown to become the world’s second largest economy after U.S. in terms of GDP. The high growth rate of China has helped push China’s economy to 9.1% growth rate in 2003-2004. China is the world’s second largest recipient for FDI with total FDI inflows crossing US $ 53 billion in 2003. Growth in Special Economic Zones (SEZ) has also helped China increase its productivity.

Recently Chinese premier Wen Jiabao visited India where he said the India and China must take their trade to $ 30 billion level by 2010. Seeing the whopping growth in Sino-Indian trade, China outlined a five point agenda, including reducing trade barriers and enhancing multilateral cooperation to boost bilateral trade. Chinese
Premier Wen Jiabao said, “we have set an objective (in the joint statement) to increase the two-way trade volume from 13.6 billion dollar at present to 20 billion dollar by 2008..... We plan to take it to 30 billion dollar by 2010.” Addressing Indian business leaders at New Delhi on April 11, he said that the two countries agreed for a joint feasibility study for a bilateral Free Trade Agreement. India China Economy have also agreed to work together in energy security and at the multilateral level at the WTO to support an “open, fair, equitable and transparent rule-based multilateral trade system”, the joint statement signed by Prime minister Manmohan Singh and Wen said. Wen also offered to cooperate with New Delhi in its infrastructure programmed. Indian Commerce Minister Kamal Nath said China was poised to become India’s largest trade partner in the next two-three years, next only to the US and Singapore.

According to a CII study, special focus on investments and trade in services and knowledge based sectors, besides traditional manufacturing must be given in view of the dynamic comparative advantage of India, Indian companies could enter the $ 615 billion Chinese domestic market by using it as a production base. Presently, Iron
ore constitutes about 53% of India’s total exports to China. Among the potential exports to China marine products, oil seeds, salt, inorganic chemicals, plastic, rubber, optical and medical equipment and dairy products are the important ones. The study said that services and knowledge trade between India and China have significant potential for growth in areas like biotechnology, IT and ITES, health, education, tourism and financial sector. Value added items dominate Chinese exports to India especially machinery, including electrical machinery which together constitute about 36% of exports from that country. The top 15 Chinese exports to India have recorded growth between 29% (organic chemicals) and 219.89% (iron and steel).

Not long back, Sino-Indian relations were all about management of differences and rapprochement. Today, bilateral relations are beyond the phase of consolidation. While agreeing to disagree on certain issues, the two countries are willing to identify new areas for partnership. This is primarily because a rising China presents both an opportunity and a challenge to Indian foreign policy. China’s ubiquitous growth in trade and economy and its predominance in global trade turn it
into a springboard for several developing and developed countries. The business perspective sees a big market in China and its engagement as a way to bring economic prosperity and competitive skills in India. On the other hand, the security premier Wen Jiabao in April 2005. Since then, Sino-Indian relations have seen many developments. While most of these engagements are primarily of an economic nature, courtesy a wide range of comprehensive agreements signed during Wen Jiabao’s visit, the spillover is being felt in other areas as well.

India and China were busy netting comprehensive economic relations in the last one year. Sino-Indian trade has reached an all-time high and was pegged at $18.7 billion at the end of 2005. The average annual growth rate is over 30 percent, not to forget the near phenomenal growth of 79 percent in 2004. If this trend continues, China is likely to overtake US as India’s largest trading partner by 2007. At this rate, the bilateral trade will cross $50 billion much earlier than 2010. While global trade was facing a sluggish growth the boom in Sino-Indian trade came due to a quantum push in India’s exports to China last materials, intermediates and components saw big leap in Indian supply of raw
materials. Exports of iron ore to China more than doubled, pushing Japan to the second place. Iron ore now constitutes around 40 percent of India’s exports to China. The other major exports are plastic materials, steel, chemicals and soya bean oil.

While India has been supplying mostly primary goods to China; value added items, especially machinery and electrical machinery constitute about 36 percent and dominate Chinese exports to India. The top 15 Chinese exports to India recorded growth between 29 percent (organic chemicals) and 219 percent (iron and steel). Border trade, though small in volume, also played a significant role in enhancing bilateral trade and economic cooperation. Moreover, it contributes to generate opportunities for the export of commodities across the bordering provinces of the two countries.

While the burgeoning trade holds goods for both countries, there is plenty of scope for further enlargement of trade basket. Toward this objective, both sides are committed to remove trade hurdles. The CII had identified following areas for trade enhancement:

1. Biotechnology.
2. Information technology.
3. Health.
4. Education.
5. Tourism.
6. Financial sector

To foster an all round expansion of Sino-Indian trade, the Joint Study Group (JSG), that was commissioned during Former Prime Minister Atal Behari Vajpayee’s visit to China in June 2003, gave its recommendations during Wen Jaibao’s visit to Delhi. The JSG in its report has identified a series of measures related to trade in goods and services and other areas of economic cooperation, and recommended their expeditious implementation to remove impediments and facilitate enhanced economic engagement between India and China. The recommendations of the JSG are being further considered by the Ministerial-level-India-China joint Economic Group (JEG).

With booming trade, bilateral investments have also picked up. However, the comparative assessment is quite asymmetrical. While China is the most popular FDI destination in the world, attracting over $ 60 billion,
India was a laggard with a paltry $4.5 billion. On bilateral front, China accounts for more than 5 percent. India has become the first Indian bank to start commercial operations in China by opening its branch in Shanghai. Among the Indian companies that have set up joint ventures or subsidiaries include pharmaceutical companies that have set up joint ventures or subsidiaries include pharmaceutical companies like Ranbaxy, Aurobindo Pharmaceuticals, Dr. Reddy’s Laboratories, and IT software companies like Aptech, NIIT, Tata Consultancy Services and Infosys. Manufacturing houses are also making their entries. On the other hand, Chinese companies are making forays in Indian market through investments in telecom, metallurgical, transportation, electrical equipment and financial sector. In fact, there is a huge optimism about benefiting from the Chinese expertise in the power sector, in particular, thermal power. Obviously, there is a big potential for more investments. The JSG report has probed the area of investment also by identifying potential areas for investment, both in India and China. The two countries recently signed a draft bilateral investment promotion and protection agreement (BIPA). Setting up a
mechanism to remove trade and investment hurdles, the two countries have decided to constitute six task forces to study issues like harmonization of standards for products, non-tariff trade barriers, rules of origin of products and raw materials and consultation on WTO negotiations. In addition, the two countries have decided to set up a CEO’s Forum to identify potential areas of investments and possible collaborations. Led by China’s Trade Development Bureau and the CII, the CEO’s Forum is expected to become operational soon.

The JSG had also recommended an India – China Regional Trade Arrangement (RTA). However, the decision has been put on hold and instead a Joint Task Force has been asked to study the feasibility of the proposed RTA, and the benefits that may derive from such an Arrangement. It appears that China was more interested in an RTA given its export-based economy and advantages in manufacturing sector. It also wants India to world’s third largest trading nation. However; the Indian industrial associations felt that it is bit premature for India to enter into any such arrangement when the country is mainly an exporter of primary
commodities to China and its services sector is still fragile to compete with Chinese companies.

On the whole, trade and economic relations between India and China is marked by strong political commitment of the leaderships of both countries. The structural framework of economic cooperation is being continuously strengthened and expanded. For the first time, the two countries have decided to hold regular financial dialogue between the two sides as envisaged in a memorandum of Understanding signed during Wen Jiabao’s visit. The dialogue will enable the two sides to exchange views on domestic and international macro-economic situations, national fiscal and monetary policies, financial reforms and regional or global development of mutual interest in the financial sector and facilitate the development of bilateral cooperation between their banking sectors, budget and taxation authorities, financial regulatory agencies and capital, markets. The dialogue will seek to enhance commercial and economic exchanges between the two countries and increase mutually beneficial bilateral cooperation and coordination in the International
Monetary Fund, the World Bank, the Asian Development Bank and other international financial and developmental institution

COOPERATION

Mr. Wen Jiabao landed not in Delhi but in Bangalore, the IT Capital of India. This shows how serious the Chinese are to take a lesson or two from the Indians who are world leaders in the IT sector. The Chinese have an edge in hardware but they lag behind Indians in software. The Chinese are, however, working overdrive to close the gap. Chengdu, the capital of Southwest China’s Sichuan Province, is being developed as China’s own IT capital. A Sino-India software research, education and training base, the first of its kind, has been established in Chengdu, to replicate the success of Bangalore. The Indian IT giant, Infosys, is rapidly spreading its Shanghai, the company now plans to recruit around 6,000 programmers to run its two software NIIT, has already trained over 25,000 students in China through its 125 education centers’. NIIT is still spreading rapidly in China, its number one overseas market. In March 2006, India’s Alagappa University has signed a MoU with
China’s Jiujiang University (located in Jiangxi Province) for offering courses to Chinese students in Computer Science and English. The Chinese university would send about 2,000 students to the Alagappa University.

ENERGY SECURITY

India and China are two of the largest, fastest growing percent of its oil needs. Their combined demand has helped drive oil prices to record highs, prompting both nations to try to lock down sources of energy has prompted it to strike deals with countries from Africa such as Sudan, Nigeria, Angola etc. apart from Russia and Myanmar. India is also seeking oil in Russia, Kazakhstan, and Sudan, among other.

Bilateral competition to secure oil fields led to some rivalry throughout 2004 and 2005 wherein the national oil companies from both countries were playing the game of one up-man ship. In the process, India lost biddings to its Chinese competitors for some overseas oil sources in 2005, including the competition for petro Kazakhstan last October, for which the Chinese would surely have paid a higher price. India then began to seek cooperation with china on energy. India’s oil and Natural Gas Corporation

[50]
ONGC Limited joined hands with China National Petroleum Corporation (CNPC) and won the bid for Petro-Canada’s stakes in Al-Furat Petroleum Company in Syria at the end of 2005.

A desire to institutionalize cooperation on energy security and avoid unbridled rivalry to the advantage of sellers led to some high level oil diplomacy between India and China in recent times. Notable among them was the visit of the then Indian Petroleum Minister, Mani Shanker Aiyar to China in January 2006. During this visit the Indian delegation had parleys with major Chinese players such as China Petrochemical Corporation (SINOPEC), China National Offshore Oil Corporation (CNOOC), apart from the CNPC. The two countries finally signed five memoranda to strengthen their energy cooperation. The full spectrum cooperation will firstly involve in upstream exploration and production, building joint venture on seismic warning and oil and gas exploration. Secondly, there will be cooperation on prospecting and petrochemical production and marketing. The third area is the transmission of gas and urban gas supply. The two sides will also join hands on domestic and cross border oil pipelines,
unconventional oil and gas resources, the innovation and development of energy technologies, and software and information technology in energy sector. India, during Aiyar’s visit, also supported a Chinese suggestion for creating an Asian counterpart to the International Energy Agency to coordinate the long-term energy import policies of major oil importers in the region.

**TRANSPORT AND COMMUNICATION LINKAGES**

The two countries have opened up trade and commercial relationship, absence of sufficient number of transport and communication linkages between the two sides is most discouraging. Border trade is still underdeveloped and most of the freight takes the oceanic route. During Chinese Premier Wen Jiabao’s visit India and China inked a Memorandum of understanding on Civil Aviation which provides for major liberalization of air links between the two countries with multiple designation of carriers and an “Open Skies” policy for cargo, an increase in capacity entitlements, more points of call and an increase in the number of intermediary and beyond points. According to the Memorandum, the designated
airlines of both parties are entitled to have unlimited third, fourth and fifth freedom traffic rights with unlimited capacity entitlement for dedicated cargo services. The designated airlines of both parties may co-terminative any two points in the territory of the other party without any cabotage rights with the exception for airlines designated by India to combine Beijing and Shanghai, Beijing and Guangzhou. With the new capacity entitlement, the designated airlines of the two countries will be allowed to operate as many as 42 weekly frequencies by mid 2006.

However, passenger traffic between the countries remains so little that it is a struggle for airlines to ensure that even the few existing flights are economically viable.

historically, the two countries have been closed to each other and particularly after the 1962 war, and no direct routes existed between India and China. Indian passengers going to China had to take a detour either via Bangkok or Hong Kong. Due to political reasons, the passenger movement between India and China is also woefully low. Hence, it will take some time before people get addicted to travel directly to the other side.
There are no land routes presently operational across Sino-Indian border, except for the limited number of transit points for cargo traffic. A new point for border trade is being opened through the traditional trade-route between India and China across the Nathu La Pass in Sikkim. There is also a possibility of starting a Gangtok – Lhasa bus service now that Sikkim has been accepted as India’s inalienable part by China. However, the idea is still at a conceptual stage. The

Historic Stillwell Road, connecting India’s Northeast to China’s Yunnan’s province through Myanmar has not been open despite its huge potential to boost cargo traffic to China. On its side, the Chinese have already begun to renovate the road. After reopening the distance from Baoshan, a border city in Yunnan, via Myitkyina in Myanmar, to Ledo in India will be a touch above 500kms. And the distance between Kunming, capital of Yunnan, and Ledo, a railway hub in Northeast India, will be 1,220 kms. Once the Bangladesh-Myanmar-India-China (BMIC) initiative, popularly known as the Kunming initiative, becomes a reality, the Stillwell Road is expected to be in high demand.
FUNCTIONAL COOPERATION

Being developing economies, agricultural development is very important in both countries and both the sides are willing to learn from each other’s experience. In March 2005, the Indian Agriculture Minister Sharad Pawar had visited China. Hectic parleys led to some protocols being signed during Wen Jiabao’s visit. A comprehensive MoU on agriculture has been signed during the return visit of the Chinese Agriculture Minister, Du Qinglin, to Delhi in March 2006. The MoU identifies many areas for cooperation including exchange of information and experience of best practices in respect of crop production, horticulture, fisheries, and animal husbandry. The two parties shall establish a Sino-India Committee of Agricultural Cooperation to ensure the implementation of this MoU.

The two sides are also cooperating on common environmental issues. For example during Wen’s visit, the two sides have signed a MoU that envisages provision of hydrological information in respect of the Sutlej/Langqen Zangbo River in flood season for flood control and disaster mitigation in downstream areas. The
arrangement entails building of a hydrological station by the Chinese side on the Sutlej/Langqen Zangbo River before the flood season of year 2006 and provision of hydrological information to the Indian side beginning the flood season of 2006. The Chinese side will also provide information on any abnormal rise/fall in the water level/discharge both sides will continue to discuss the possibility of same arrangement in respect of two more rivers – parlung Zangbo and Lohit / Zayu Qu.

ULTURAL RELATION

While economic relation have picked up, cultural relations between India and china are in a stalemate. The two countries have been traditionally closed to each other, with very little exchanges taking place. This societal gap is probably one of the reasons for many misperceptions about each other. The leadership of the two countries has shown eagerness in opening up their social face. Coinciding with Wen Jiabao’s visit, representatives of 23 Chinese universities visited India to advertise their institutions, which are now home to 1.1 million foreign students, but only about 800 Indian among them. The aim, the representative said, was to
create awareness about Chinese universities, their curriculum, scholarship facilities and the many opportunities available to the student fraternity.

During Wen Jiabao’s visit, the two sides signed a protocol that envisages the constitution of the India–China Film Cooperation Commission to strengthen cooperation and promote bilateral exchanges between India and China in the entertainment sector, with special focus on films, both features and documentary and animation. Under another Memorandum, India will build an Indian Style Buddhist Temple in the International Garden on the west side of the White Horse Temple in the Luoyang, which is the oldest icon of India-China exchange in the field of Buddhism. It is expected that the Temple, once completed, will become an enduring symbol of the centuries old Indian influence in China and epitomize how Buddhism from India become an integral part of Chinese culture and life.

In 2005, the two countries also celebrated the 55th anniversary of the establishment of diplomatic relations between India and China. To mark the occasion, the two countries organized a serried of commemorative
activities. These included the ‘cultural Festival of China’ in India and ‘Cultural Festival of India’ in China. In order to further promote mutual awareness and deepen the friendship between the two peoples, the two sides are celebrating 2006 as the ‘year of India–China friendship’. Numerous activities are planned for the current year. These include high level visits, including the proposed visit of Indian Defense Minister to China; trans-border interactive visits and sporting activities between the two armies; academics and literary publications on the bilateral relations; educational cooperation among major universities of both side, a series of cultural; sports and youth exchanges; and above all, a fresh set of recommendation by the Eminent Persons Group (EPG) to promote bilateral relations based on deliberations in previous EPG meetings. A comprehensive India–China Cultural Exchange Programmer for 2006–2008 is also on the anvil.

While the two governments have taken the initiative, people from the two sides are also getting to know more about each other through various mechanisms. Needless to say, the business opportunities and the great power potential of the two countries have generated curiosity
about each other. Journalistic coverage about each other has increased in domestic newspapers. More and more Indian journalists are living in and reporting from China. Similarly, China and India are hot topics for comparative studies among the strategic think tanks of the two countries. Educational activities are now neither less dependent on official support and Indians are nor looking towards China as a possible destination. Indian yoga is getting more popular among the Chinese citizenry. However all these are at a small level given the huge size of the two countries and their geographical proximity to each other. Language is still a big barrier that prohibits any diffusion of ideas or cultural perspectives across the border.

**COUNTRY COMPARISON**

<table>
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<tr>
<th></th>
<th>China</th>
<th>India</th>
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<tbody>
<tr>
<td>Area</td>
<td>9,639,688km²(3,721,904 sq.mi)</td>
<td>3,287,240km²(1,269,210 sq mi)</td>
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<td>Population</td>
<td>1,341,000,000</td>
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<td>Population Density</td>
<td>140/km² (363/sq mi)</td>
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<td>Capital</td>
<td>Beijing</td>
<td>New Delhi</td>
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<td>Largest City</td>
<td>Shanghai (19,210,000)</td>
<td>Mumbai (21,900,967)</td>
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<tr>
<td>Govt.</td>
<td>Unitary socialist republic</td>
<td>Parliamentary constitutional</td>
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<td></td>
<td>Republic</td>
<td>China</td>
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<tr>
<td><strong>Official Languages</strong></td>
<td>Chinese</td>
<td>Hindi, English and 22 other languages</td>
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<tr>
<td><strong>GDP (nominal)</strong></td>
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<td>$1.430 trillion</td>
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<td><strong>GDP (PPP)</strong></td>
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<td><strong>HDI</strong></td>
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<td>0.612</td>
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<tr>
<td><strong>Foreign exchange reserves</strong></td>
<td>2,400,000 (millions of USD)</td>
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