
India - China Relationship: A Case Of Trust Deficit

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Backdrop

Strong commercial ties moving in tandem with threats and competition epitomize China's relation with India. The end of the cold war added a new dimension to their relationship because interests of both the countries converged on economic development. Strategies were innovated to promote this objective. But economic relationship has not created an environment of trust to shield their bonding from misperceptions and competition. Ironically the trust deficit is due to antithetical perceptions emerging from the divergence of their interests cloaked in the very process of engagement activated in the 1990s. No doubt efforts to strengthen their relationship were set in motion much earlier, yet the reconfiguration of geo politics after the end of the cold war gave it a new twist. It may be divided into three phases; the take off phase followed by a vigorous competitive

stage and a slow growth phase. In all these phases the common link is trade detached from outstanding problems. Simultaneously both compete for resources to fuel their growing economies and enhance their influence. In neither case popular opinion gets reflected in the pursuit of foreign policy but apparently there is difference in popular perceptions and official policy. The nature of the political system in India being more free than China popular opinion gets reflected in the media. Nevertheless the official position of both the countries is to maintain peace without giving vent to unremitting problems. In the context of geo politics, the divergence and convergence of their interests may be assessed at four levels. These are bilateral, India's neighbours in South Asia, countries in Asia and outside the continent. This paper proposes to discuss their interests at these levels and attempts to unravel perceptions which shape their policy. These are not exactly offshoot

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of the difference in their political system. China, a one party state, could rise to be a world power without ever following the US model of liberal democracy. Its core interests namely national development, unity and integrity are pursued with no stress on liberal democracy. Managed by technocrats, it is marching ahead rising to number one position in Asia. India has a democratic and multiparty system in which assortment of opinion flourish reflecting its diversities. Authority and liberty do clash. But "authority is limited by liberty and those powers diminish as the collective grows." However, the "collective needs authority to stay together" while "all constituents need liberty to flourish and evolve."¹

Even then the two countries had cordial relation till the 1962 war. For the next fourteen years, their relationship remained frozen and the border dispute resulted in two more skirmishes, one in 1967 at Sikkim and other in 1987 at Samdorong Chu valley. With the visit of Atal Behari Vajpayee, India's minister for external affairs, in 1979, bonding between the two countries resumed but continued to hobble. They signed the agreement for Peace and Tranquility along the LAC, in 1993 during the visit of P.V. Narasimha Rao, then Prime Minister of India. In 2003,

the Declaration On Principles for Relations and Comprehensive Cooperation was signed following which both the countries have improved bilateral cooperation in trade. In the present century their "partnership for peace and prosperity" maintained a steady pace and both the countries celebrated 60th anniversary of diplomatic relationship, in 2010. However, there is a trust deficit due to which the working relationship has not been elevated to unswerving maturity.

It may be recalled that India's asylum to Dalai Lama was the immediate reason which flared up tension between both the countries culminating in a war in 1962. Decades have passed but Tibet has remained the pivot of China's policy towards India. Added to it is the aspiration for economic ascendance and the concomitant role in and outside the continent after both the countries embraced economic liberalization. The neighbourhood territorial dispute between Pakistan and India with the overarching Kashmir issue has drawn China to the centre stage. Over the years, Sino-Pak relationship ratcheted up with growing dependence of Pakistan on China on its technology, military equipment, and economic support. Till the onset of economic reforms in India, the Sino -Pak relationship

troubled India but after it China has penetrated almost all neighbours of India in South Asia enhancing its commercial, military relationship and investments in infrastructure. India perceives threat from the "ring of pearl" and China suspects its containment by India's growing partnership with U.S and Japan, the Look East Policy and a spate of other domestic and foreign policy strategy.²

Bilateral relationship:

(a) border imbroglio

Principal bilateral issues are border problem and commerce. Analysis of their bilateral relationship following economic liberalisation in India reveals ambivalence rather than trust. This could be assessed from the recent tension on the Line of Actual Control(LAC), in Daulat Beg Oldi(DBO)³. Apparently it might be "willful grabbing of Indian territory by China as per its "forward policy" to acquire more and more territory beyond the Aksai Chin." It may be recalled that the immediate reasons for realizing the strategic importance of Aksai Chin was resistance of Tibet to Chinese occupation and ethnic uprising in Xinxiang. To frustrate any future unrest in this region allegedly perpetrated by India, China occupied the territory and "continued to push forward". This is the only link connecting Xinxiang and Western

Tibet.⁴

The present incident is not the maiden attempt. Reportedly, in 2005, there were 150 transgressions which increased to about 240 by 2012. The process is continuing since 2009 with expansion of communication network by road, water and air.⁵ Social turmoil in Uighur and western Tibet are cited as compulsion for China to fast track its forward policy across the LAC. Harboured in this policy is China's resentment to define the western, middle (Barahoti in Uttarakhand and Shipki in Himachal Pradesh) and eastern(tri- junction of India, Myanmar and China) sectors of the border. The Lohit river flows into India from Tibet through Madan ridge. China has built a road up to the base of its southern spur in 2009-2010. It may alter the tri- junction further and India will have no control over the area. It has not accepted India's map though both the countries have agreed to respect it until final settlement.

India claims 38,000square Kms as part of Ladakh region of Jammu and Kashmir which acceded to India after partition. The Johnson line has been used by India since independence as the official boundary in the west. It includes Aksai Chin, the area between Ladakh and Tibet.⁶ The Indian government took steps to revise its map to define its boundaries

in 1954. Till then boundary based on Johnson Line was stated as undemarcated⁷ Prior to that China constructed road connecting Xingxiang and western Tibet stretching about 1200 kms out of which 179 kms was on the south of the Johnson Line, in Aksai Chin. It was revealed through a Chinese map published in 1958⁸. India contended that Aksai Chin was part of Ladakh region which is a part of Indian territory.⁹ The Chinese government asserted its authority over Aksai Chin basing on the Macartney-Macdonald Line.¹⁰ This position remains unchanged now as in April 2013 Chinese People's Liberation Army (PLA) had taken a position 10 kms within the Indian side of the Line of Actual Control and using air route within India to provide logistics to its troops.¹¹ The 1962 war provided Pakistan an opportunity to settle its border in the west of the Karakoram pass and later on the basis of the Macartney-Macdonald Line. Thus, the trans Karakoram Tract is with China. India has not recognized it and has claimed it as territory of Jammu and Kashmir existing prior to 1947 on the basis that the Himalayas and territory lying to its south were traditionally a part of India.¹² China built Western Highway from Tibet to Xingxiang through the Aksai Chin of which DBO is an extension.

Following the incident India asked for reactivation of the Joint Consultative Mechanism set up in 2011 to resolve such issues. China demanded dismantling of the bunkers built by India in Chushul, southeast of Ladakh. India asserted that bunkers were on Indian side of LAC on the western bank side of the river Indus. This area was never claimed by China earlier and remained tranquil since the signing of Agreement for Peace and Tranquility in 1993.

On 5th May 2013 the stalemate between both the countries was reportedly over. Following high level negotiations both the countries withdrew their troops to previously agreed positions.¹³ Even though it was announced that the 20 day standoff between the military of China and India has ended, the Chinese intercepted an Indian patrol and prevented it from going to LAC near Finger VIII area in May, 2013,¹⁴ China blamed India for constructing infrastructure in the disputed area and provoking the PLA. After failure of three flag marches India postponed the visit of its external affairs minister to China due on May 9, 2013. But the easing of tensions made the visit as scheduled and for the time being peace and tranquility has been maintained in the area. Chinese Premier Li Keqiang' visited

India on May 20, 2013.

Sporadic Chinese presence at the disputed border with India can be analysed from the so called "core interests' perspective of China.¹⁵ Realisation of the "Chinese dream" as emphasized by Xi Jinping ,the present Chinese president cannot deviate from its "core interest." Display of military capabilities in several areas claimed by China across Asia should be seen as promotion of its core interest. It is also interested to maintain its dominance in Asia. At the moment its two foremost core interests, territorial integrity and socio economic advancement, are guiding its policy towards India. China resents US influence in Asia. With its emergence as an economic power it has ramped up its military modernization and these factors would guide its policies in claiming territory in disputed areas. Economic affairs will be managed by experts.¹⁶ A shift in economic policy from investing in heavy industries to consumption and service sector is perceptible in view of the personnel in management of its economy. This would reduce its dependence on raw materials much of which is import based. This approach may not be executed smoothly but it indicates a step forward for self reliance.¹⁷ A booming self reliant economy would embolden its pursuit for "territorial

integrity", an important facet of which is boundary issues with several Asian countries including India.

(b) Commercial Relationship:

The boundary imbroglio notwithstanding, trade ties between India and China were established in 1978. After six years, in 1984 both countries granted each other the Most Favoured Nation (MFN) status in trade. Till 2000 bilateral trade between India and China was only \$2.9 billion . With speedier economic reform in India, it rose to \$74 billion in 2011. In 2011, both countries signed assorted documents which among others included agreement on green technology cooperation, cultural exchange, exchange of hydrological information ,media exchange, and cooperation between China Development Bank and Exim Bank of India. Apart from visit of high dignitaries of both the countries and increased flights, in 2011, the fourth strategic dialogue between both the countries was held in Beijing .The two countries set up forum for strategic economic dialogue in 2010. It met in 2011 at Beijing and in 2012 at New Delhi. The talks facilitated promotion of joint projects.¹⁸

In an interactive session organized by the Indian Chamber of

Commerce, the Chinese Consul General Lizhong said that trade between India and China will be \$100 billion by 2015. The possible areas would be energy savings, infrastructure, tourism, information technology and agriculture.¹⁹ During 2012-13 exports to China increased to \$13.5 billion from \$8.3 billion in 2006-07. While exports increased by 62.5 percent, imports rose to 211 percent (from \$17.5 billion to \$54 billion) during the same period. As a result, the trade balance swelled 346 percent from \$9.15 billion in the financial year 2007 to \$40.8 billion in the financial year 2013. China accounts for a fifth of India's total trade deficit of \$190.9 billion with the world. If oil is excluded it accounts for almost half.²⁰ India's exports to China include iron ore, slag and ash, cotton yarn, woven fabric, copper and copper manufactures, pearls, precious stones, precious metals and organic chemicals. India imports nuclear reactors, boilers and machinery, electric machinery and sound equipment, chemicals, fertilisers, iron and steel, optical, photographic, precision, medical and surgical instruments. The list of traded goods reveals that there is a colony like relationship between both the countries as India exports raw materials and imports manufactured goods from China though some of which like tele-communication

equipment are under the scanner for security considerations.

The recent border row was not highlighted as a serious matter in the negotiations between both the countries when the Chinese premier visited India in May 2013. During his visit eight agreements were signed²¹ setting the target for bilateral trade between both the countries to \$100 billion by 2015. Three working groups under the Joint Economic Group have been proposed to be set up. The joint statement of both the prime ministers states that 'both countries view each other as partners of mutual benefit and not as rivals or competitors.' This statement reveals the 'International strategy' of Xi Li leadership as "China made several tactical manoeuvres –and on certain issues, concessions to India but gained strategic momentum in the international and regional order."²² It is worried about its depleting growth rate. The huge trade delegation accompanying the premier suggests that the promotion of trade is the key factor of his maiden visit to India. India and South Asia are more preferred markets as its European partners have restricted imports from China and relation with Japan has turned sour.

Zhao Gancheng, Professor at Shanghai Institute of International

Studies said "Li's remarks indicated that China wanted to strengthen its connection with India along the western border especially after the withdrawal of United States troops from Afghanistan next year." Both nations are looking at their bilateral ties from a broader perspective and they do not want their disputes to affect cooperation" It also quoted Mohan Guruswami, Chairman of the Centre for Policy Alternatives at New Delhi that "India can be that close to China and not more. India and China are neighbours but also rivals and competitors."²³

India and China in South Asia

China has penetrated almost all countries in India's neighbourhood by strengthening economic relationship, infrastructure facilities and resource acquisition. China's infrastructure development in this region is influenced by its business sector. Indian business has invested in quite a few Asian countries hither to dominated by Japan. China is penetrating this domain too. The undeclared trade war might impact on the government with ramifications on demography, geography and economy.

In Sri Lanka it has built a port in Hambantota. During the visit of Sri

Lankan President to China in May 2013, both the countries agreed to expand bilateral trade, cooperate in areas like agriculture, application of space technology, expand trade cooperate in law enforcement, defence and security against three forces namely terrorism, separatism and extremism. Both have agreed for cooperation in tourism, communication and coordination in international affairs and regional affairs with global challenges and traditional security threats such as climate change and jointly safeguard the rights and interests of developing countries. The joint communique included agreement on territorial integrity, Tibet, Taiwan and Xinjiang along with Diaovu Islands.²⁴

Since independence India's relations with Pakistan are not convivial. Bitter rivalry with Pakistan has drawn China into the ambit of Indo Pak relationship. Sino-Pak close amity disturbed India throughout the cold war. There are several problems between both the countries relating to borders, water resources, Kashmir, terrorism which have remained unresolved for the last six decades. Recently Pakistan is normalising its relations with India and the trend might continue during the Nawaz Sharif administration. His approach to foreign policy will be based on business perspective. But China

being an ally of Pakistan no matter who was at the helm of political affairs, Sharif would continue the policy of his predecessors. The bone of contention between them would be problem of Uighur militant Muslims who reportedly have a safe haven in Pakistan's Federally Administered Tribal Areas. Besides, China's ambivalent stance on Kashmir is not liked by Pakistan. "But Pakistan is very dependent on China, strong relations will continue."²⁵ During the recent visit to Pakistan, the Chinese Prime Minister Li signed an agreement with it to build an economic corridor through Pakistan Occupied Kashmir (POK). It has deployed its troops in the Shia dominated states of Pakistan namely Gilgit and Baltistan. Sharif will also strengthen relationship with Saudi Arabia, where he spent his time during exile. Pakistan's relation with Saudi Arab was for some time eclipsed by India's growing cooperation with Saudi Arab and denial to supply crude oil to Pakistan on a long term basis. Its friendship with China is based on its ill feeling with India. Now its relationship with US has also soured. The deal with China for 1000 megawatt nuclear reactor has further embittered US Pakistan relationship. Therefore, the fulcrum of its foreign policy is friendship with China to deal with a traditional enemy in the neighbour-

hood and a super power outside the continent. Though economic relationship between both the countries is well under way, important problems remain unresolved. The hold of the military on democratic governments in Pakistan is a major determinant of its policy towards India. Terrorist activities remain unabated frustrating effort at the government level to ease tension. Chinese nuclear assistance to Pakistan is disturbing India.

India has allowed Nepal to use land and sea routes within the country for trade without paying customs duty as per the Treaty of Trade and Commerce signed between both the countries in 1950. In the same year, the Treaty of Peace and Friendship was also signed. These two treaties have regulated relationship between the both since 1950. In view of the importance of Nepal's strategic location India set up its military mission in 1954 and security posts were established to keep vigil on probable Chinese threat to India's security.

After the 1962 war with China, the Nepalese monarchy could extract from India transit rights with other countries through Indian territory. Indeed Nepal was restive due to growing influence of India. It demanded withdrawal of army check

posts from Nepalese territory and procured Chinese arms thereby ending India's monopoly in arms sales to Nepal. The apogee of bitterness reached when India blocked its territory for use by Nepal, in 1989. Weak Indo -Nepalese relationship was a signal to Pakistan for drawing Nepal to its side and what its angst against India. Nepal severed its currency from Indian rupee .It pressurized to open Indian transit points for use to which India acceded in 1990. Other administrative bottlenecks compelled Nepal to opt for Chittagong port in Bangladesh which is just 15 kms away from Kolkata Port. Bangladesh had Offered three seaports to Nepal.

While India's relation with Nepal had ups and downs, China has maintained a steady friendly relation with Nepal since 1955 when diplomatic relationship was formalised between both the countries. In 1956, Nepal recognised Tibet as a part of China. It is connecting Nepal with Tibet by rail for easy passage of goods imported from China. In 1960 they resolved border issues and signed the treaty of peace and friendship. China and Nepal trace their relationship since Fifth Century. This traditional relationship became official when diplomatic ties were formalised in 1955.They share a border of about

1414 kms but there is no border dispute after 1961. The cooperation with China has helped Nepal to strike a balance between India and China in its strategic relationship.

China has strengthened its economic relationship with Nepal and assisted in the development of communication. It has constructed a road from central Nepal to Kyirong district in Tibet which is 22 kms and viable for movement of heavy vehicles. This will help China to trade with India via Nepal. It is also constructing a railway from Shigatse to Lhasa. In future this could be expanded to connect Kathmandu in Nepal. But increased communication infrastructure is more relevant for China to control unrest in Tibet, maintain territorial integrity and check India's defence activities.

China' policy towards Nepal was altered with the fall of monarchy in Nepal. It has expanded to diplomatic, military as well as commercial spheres. Disturbances in Tibet compelled it to ensure security of its border from being misused. Between 2008 and 2009 twelve high level delegations visited Nepal thereby enhancing economic and technological aid. Nepal has acquiesced in "one China policy and agreed to take strong action against Tibetan refugees. Nepalese scholars

were also invited to visit China. Chinese influence on Nepal has troubled India for its insistence to close the Indo Nepal open border, and consequent depletion of economic relationship with Nepal should China deepen its economic penetration in Nepal²⁶

In 2010, July as per the Nepal-China Border Security and Law enforcement talks were held in Kathmandu both the parties agreed to set up *focal points* in their respective home ministries in China and Nepal which included among others deploying security personnel across the northern border. Much of Chinese economic and technical assistance to Nepal is intended for security across the northern border. China's relationship with Nepal has improved further by signing an eight point joint statement in 2012 which fast forwarded promotion of trade and tourism, border management, development of hydro power, transport infrastructure, technical advancement and socio-economic development. The recent meeting between Chinese President and Prachanda, former Prime Minister of Nepal, on 18 April 2013 is a continuation of the process that is maintaining stability across the border as well as development of the region.²⁷ He also visited India in April 2013 and offered to mediate

between India and China though he was not sure about his effort.²⁸ The new Chinese ambassador has conducted a series of meetings with important dignitaries of Nepal which indicated that "China will be consolidating its relations with Nepal in a big way".²⁹

India played a key role in creating Bangladesh, and has ethnic and territorial proximity with the country. It was first to recognise Bangladesh as a sovereign independent country but over the years relationship between both is far from cordial. Despite China's posture in the liberation movement of Bangladesh and its entry to the UN, China established diplomatic relation with Bangladesh in 1976. The construction of Farakka Barrage created public furor in Bangladesh thereby drawing it close to China. Diplomatic, commercial and military relationship between both the countries was fast forwarded with increased summit level meetings. A public symbol of their growing relationship is Bangladesh - China Friendship bridge over river Buriganga. China became the major provider of economic assistance to Bangladesh. The year 2005 was declared as the Bangladesh-China Friendship Year. Bangladesh helped China to have an observer status in the South Asian Organisation for Regional

Cooperation(SAARC). As per the Asia Pacific Free Trade Agreement (AFTA) China waived tariff from a large number of items imported from Bangladesh. Military relationship is well underway after signing the Defence Cooperation Agreement in 2002. Tension between India and Bangladesh are due to several bilateral and geo political issues. Now India has discussed with Myanmar to set up a gas pipeline skipping Bangladesh as that will be more secure. However, recently the Food Corporation of India has shipped food grains through Bangladesh to northeastern states of India. Such transportation will reduce cost as well as distance.³⁰ But several bilateral issues have affected India's relation with Bangladesh while China has no such problems.

The end of military rule has opened Myanmar to foreign investment and trade. It is an underdeveloped economy but growing very fast having the demographic dividend of a younger work force and abundant natural resources. With proper management its economy will grow fast, may be \$200 by 2030.³¹ China has border trade with Myanmar in its own currency. Two Chinese firms are engaged in developing the Shwe gas pipeline from Kyaukpyu in Myanmar to Kunming in China as per an agreement entered between

both the countries in 2008. The pipe line covers 800 kms of Burmese territory where people have reportedly suffered from land alienation and forced labour. Therefore, there is a public outcry to suspend the project. The Letpadaung copper mining is also resented by a section of the people as it would benefit China rather than Myanmar. But it has been estimated that Myanmar will earn about US\$29 billion. The two companies namely Southeast Asia gas Pipeline Company and South east Asia crude Oil Pipeline Company have also focused on a number of community support projects to woo the people across the pipeline. Shew Gas movement activists resent the meager compensation in comparison to the benefits which China will derive.³² Even then China has penetrated deep in Myanmar's economy and infrastructure development compared to India. Recently, Indian private companies have submitted final bids for telecom license. Gas pipeline connection between India and Myanmar through Bangladesh was discussed during the World Economic Forum on East Asia 2013 at Myanmar. Possibility for engagement in other areas was also discussed with Myanmar where quite a few countries are engaged in transforming its economy, competing

to invest and explore its resources. India's investment in Myanmar would increase to about US\$2.6 billion as reported after the meeting between the Indian Minister for Commerce and industry and President Thein Sein of Myanmar. Currently India is the 10th largest foreign investor in Myanmar investing about US \$ 273.5 million per annum. In future Imphal Mandalay bus service and air connectivity would further facilitate trade and people to people connection between both the countries. The Kalandan multimodal transit transport project connecting Kolkata seaport and Sittwe as per the agreement between Myanmar and India signed in 2008 was proposed to be completed by 2014-15 but due to several ecological and technical problems it may be delayed.³³

India has offered US\$150 million of credit for setting up a special economic zone nearby Sittwe if the Myanmar government provides land. It will chair the ASEAN in 2014 and play a critical role in guiding the association towards economic integration in 2015. Strengthening relationship with Myanmar is therefore important for India amidst competition from China. China's overwhelming presence and growing influence in almost all countries of South Asia has disturbed

India as its relation with many of these countries is not free from dissension. China is better placed than India in its foray with these countries for its economic resources and technological acumen. These developments have dissipated creation of an environment of trust essential for strengthening their relationship.

Competition In Asia:

With growing Indo -Japanese engagement China is restive for probable alignment to contain its supremacy in Asia. Indian Prime Minister's visit to Japan is the logical extension of India's two decade old Look East Policy. It sent a not-to-subtle diplomatic message to Beijing in the wake of a border row between India and China last month as well as the dispute between Japan and China over resource rich islands in the East China Sea. The Japanese Prime Minister Abe said India from the west, Japan from the east must shoulder the task of keeping Asia peaceful. It is quite clear that all this is happening with China at the backdrop, because both Japan and India look upon China as a threat. The Japanese Prime minister wants to redefine the Indian Ocean and the Pacific region as a community of maritime democracies. That automatically excludes China".³⁴

Japan's relation with India took a negative twist after India tested a nuclear device in 1998 but rescue of its hijacked ship by Indian navy in 1999 gave it a positive turn reposing Japan's faith on India's naval power. As it depends on the sea lanes of the Indian Ocean for its trade, it has evinced interest in India for cooperation in maritime security. Accordingly the two countries have conducted joint naval exercises in the Indian ocean as well as Tokyo Bay. In 2000 the two countries signed global partnership agreement which was elevated to strategic partnership in 2006. Both have engaged in 2 plus 2 dialogue, that is engagement between foreign and defence ministries of both the countries. The Comprehensive Economic Partnership Agreement (CEPA) has boosted trade between both the countries though India has huge trade deficit. Its support for infrastructure particularly in the surface communication has been remarkable. During the visit of Indian Prime Minister to Japan in May, 2013 it has promised to provide \$700million to build the Mumbai metro, invest in high speed railway system and supply advanced naval reconnaissance system.³⁵ It is really interesting to note that India's trade with Japan is meager \$18 billion while its trade with China is \$340 billion³⁶

Japan's relation with China

deteriorated despite firm commercial relationship between both the countries when China announced that Senkaku islands in the East China Sea was a part of China and the "issue concerns the country's sovereignty and territorial integrity and constitutes its core interest".³⁷ China's assertion of sovereignty over all the waters and islands in the South China Sea called the nine dash line (cow tongue line) typifies continuation of the policy of the previous government. Chinese foreign minister Wang Yi's visit in May 2013 to Singapore, Thailand, Indonesia and Brunei reinforced its claim over the land and sea in the South China Sea. At the moment China is not aggressive and the solution to the problem as indicated from the visit will be bilateral negotiations. However, skipping Philippines and Vietnam in his tour itinerary raised doubts about its peaceful intentions. Philippines has filed an arbitration case against China under UN convention on the Law of the Sea and also building up its defence capability to protect the disputed islands. The visit to these four states might be to create a division in the ASEAN.³⁸ Indian companies have been performing well in infrastructure development of Vietnam, traditional ally of India. Recently Tata Power has won a contract to develop two 660

megawatts(MW) coal fired thermal power plants in Vietnam.³⁹

There are quite a few summit level meetings between Japan and India but political change in Japan has compelled India to raise the same issues repeatedly to a new incumbent in Japan. Therefore, the nuclear civil cooperation agreement is not making much headway. But trade with Japan increased by 38 percent after India and Japan signed the Comprehensive Economic Partnership in 2011.⁴⁰ India's exports to Japan increased by 24.36 percent.⁴¹ At the moment the trade relationship is complementary. Japan has invested robustly in India's infrastructure development. Strategic security relationship has not taken off as expected since the security pact was signed in 2008. In 2012 the Navies of the two countries participated in the first joint naval exercises. During the visit of Indian Prime Minister to Japan in 29 May 2013 both the countries have agreed to conduct the exercise regularly. China's reaction to the summit meeting was the worst as the People's Daily described Japanese leaders as "petty burglars".⁴² India's relation with Japan has been consistent in technology transfer and infrastructure development. China's aggressive posture has served as a booster to firm up their relation expanding it to other

areas. This will be a counterweight to growing Chinese predominance in our economy.

China is the prominent trading partner with almost all members of the Association of South East Asian Nations(ASEAN). These countries are now troubled by the increasing military presence of United States and assertion of China in South China sea. India's position has become more relevant for these nation for its cultural affinity as well as enhanced military and economic power. The cultural heritage however has not been a powerful determinant in the relationship between these nations and India. It is because China's investment in these countries is more particularly in the development of communication infrastructure in the Indian Ocean through Cambodia, Laos, Thailand and Myanmar.⁴³

China's objections to funding by the Asian Development Bank(ADB) has raised doubts about its intention. India began to borrow from the ADB in 1983. Since then till the end of 2011, 178 projects have been funded by the ADB. India being the founder member of the bank in 1966, it never borrowed from it neither could seize the opportunity to locate the bank in India. In 2009 India could not succeed in getting funds from the World Bank

as well as ADB for its projects in Arunachal Pradesh due to pressure from China. Pakistan too might have a role as India objected to construction of Diamer- Bhasa Dam in Pakistan occupied Kashmir as that would disable India's claim on whole of Kashmir as per the Instrument of Accession. It is evident that China is indirectly asserting its right by exerting pressure on international institutions.

India as a competitor

China perceives India as a competitor for Central Asian energy resources specifically after these countries became independent from the erstwhile Soviet Union. The end of the cold war was significant for the Central Asian Republics as they gained in strategic importance. Among others, China and India are "the new players in this region". In the 1990s China's economy bumped up and its energy requirements increased. Several geopolitical necessities compelled it to import energy from Central Asia. The Taiwan Strait crisis created hurdle to import oil from the US controlled sea routes. Dispute with Philippines over the South China Sea exacerbated its problem. Its proximity to this region helped in easy access to their resources. China shares about 3000 border with central Asian countries

namely Kazakhstan and Kirghizstan. In 1997, China National Petroleum Corporation(CNPC) outbid quite a few established global oil giants to acquire 60.3percent stake in Aktobe Municipal Gas in Kazakhstan, Since then it has out bid several established as well as Indian companies in acquiring oil and gas fields in Tazakistah and Turkmenistan. In 2003, it acquired another 25 percent stake in Kazakhstan and began construction on first oil pipeline - the Kenklyak-Atyrau pipeline. Since then it acquired a number of oil and gas fields and obtained service contract for Gumdak oil fields in Turkmenitsan. In 2007 construction of the Kazakh China pipeline began. Turkmenistan signed an agreement to export 30 bcm of gas for thirty years to China. It also joined the Kazakhstan - China oil pipeline in the same year. In 2009 China – Turkmenistan gas pipeline was inaugurated. It agreed to supply 25 bcm of gas to China annually. Its partnership with the Central Asian countries intensified within a short time because of technological expertise in oil exploration, investment in infrastructure and socio economic development. Creation of energy infrastructure made it a reliable partner and enhanced the interdependence. Independence of these countries from the erstwhile Soviet Union was major advantage

for both the partners. The Central Asian Republics got an alternate route as pipeline from Xinjiang to Kazakhstan does not pass through Russian territory.

Compared to China, India is a late entrant to access the Central Asian energy resources. Indian oil companies have not been successful to compete with Chinese companies. After prolonged negotiations, India was successful in joining the Turkmenistan, Afghanistan, Pakistan-India (TAPI) gas pipeline in 2012. India is handicapped by its location. There is no direct land route from these countries of Central Asia to India. The only possibility is to use land route in Afghanistan and Pakistan. With consistent political and social turmoil in these countries there is no security for safe passage of oil and gas to India. Sea routes are not direct. Besides China is economically stronger than India in terms of purchasing power. It is the leading trading partner, has provided aid to these countries thereby utilising its soft power to enhance popular support. The Uighur population of China is culturally akin to the people of Central Asia.⁴⁴ With geographical handicaps and China's strong involvement in acquiring the energy resources in this area, India has no firm footing in the resource rich countries of Central Asia. In June

2012 India gave a facelift to its Central Asia policy by increasing air connectivity and economic support. Its strategic partnership with Uzbekistan, Tajikistan and Kazakhstan might create more space for engagement as it is more development oriented but China's perceptions remain unchanged.

Traditionally India has very good relationship with the middle eastern countries. About 65 percent and 45 percent of global oil and gas reserves are in this region. The International Energy Agency estimated that China and India will be the highest consumers of these resources by 2030 in view of their growth momentum. Both, therefore, have identical interests in this region, penetrating through, soft power/trade diplomacy. Both are interested in enhancing friendly relationship with most of the countries in the middle east, the latest being with Saudi Arabia. Of course India's tilt towards US and its stance on Iran in the UN Security Council has given a twist to its middle east policy, brewing misunderstanding with Iran, India could not join the Iran Pakistan gas pipeline. However, India has enhanced its relation with countries in the Gulf Cooperation Council from where India imports a substantial amount of its energy requirements. Around six million Indians are employed in

this Arab region. Of course, recently there is trouble for Indian immigrants in Saudi Arab and Kuwait. China is in an advantageous position in this region because it is in the P5 in UN Security Council and has close relation with Iran. It has signed an agreement with Iran whereby "in exchange of relinquishing parcels of Iran's land and natural resources it promises to provide military protection for those areas."⁴⁵ Isolation of Iran has provided China an opportunity to have favourable business deals as well as counter US hegemony and enhance its control over the Strait of Hormuz.

Chinese strategy in the Middle East is resented by the Iranians specifically flooding their country with cheap Chinese products thereby hampering local employment and business. But it had trade relationship with the Arab countries through the ancient Silk Road. Its energy purchase has helped the growth of their economy. Rising China offered them an alternative strategic partner when relationship between the Arab countries and the US worsened after 2011.⁴⁶ Of late, India has invested in infrastructure development. The rail linkage between Chabahar port with Bamyán's Hajigak iron ore mines transit corridor will allow India and Afghanistan to skirt Pakistani territory while making Iran a major

maritime outlet for Central Asia. But China has spread its influence in several countries across Asia and competing for resources which might impede India's interests in future with changes in the geo political scenario after 2014.

The Chinese Blue Book⁴⁷ states that India is "focusing to deal with limited war with China and Pakistan at the same time. "Pakistan is the "real threat" for which India has a high degree of vigilance and military preparedness. It focuses on India's maritime military strength, the Eastern naval Command and its bases in the Andaman and Nicobar islands. India's improved relationship with its neighbours, unilateral assistance, mutual trust and cooperation as a follow up of the Gujral Doctrine is also highlighted. It cautions China against under-estimating India's potential.⁴⁸

India's strategy

India has adopted strategies to enhance its economic power and guard against possible threat from China. Threat perceptions have compelled it to evolve strategy for its security and territorial integrity. Notable in the process is India's policy towards Iran and Afghanistan. In April 2013, during the visit of Salman Khursid, the Indian Minister

for External Affairs, India agreed to expand Chabahar Port on the Arabian sea. The agreement reiterates India's close alignment with Iran as well as stability of Afghanistan after the withdrawal of US troops. This development assuaged the misunderstanding between both the countries which cropped up during the visit of Speaker of Iran's Parliament to India as well as India's approach to Iranian nuclear programme. India's vote at the International Atomic Energy Agency to refer Iran to the UN Security Council pared down the relationship between both the countries resulting in reduced oil import. India withdrew from the India-Pakistan-Iran gas pipeline project. But India's policy of distancing from Iran in order to cooperate with the West was not prudent in view of its energy requirements and long standing cordial relationship with Iran.

After 2014, the Taliban might take hold of Afghanistan which is not desired by Iran as well as India for several reasons. Most important is the economic reason as India has invested in Afghanistan about \$2 billion. Afghan military is too weak to provide security to foreign investors. India is restive for probable insecurity after the withdrawal of US military forces.

Extremist activities in Afghanistan will divert much of India's attention from other regions like the east and south east Asian countries. As Afghanistan's security was looked after by the US, India had promoted economic relations with other regions in Asia. India has no direct land transit link to Afghanistan where as Pakistan, China and Iran share borders with Afghanistan. Transit through Pakistan is not permitted. Pakistan is also unhappy about India's presence in Afghanistan. In this backdrop India has to strengthen its relation with Iran of which the expansion of Chabahar port at a cost of \$100 million is a prudent option. Along with this India evinced interest in developing 560 mile rail link from Chabahar to Hagijak. This will ease transportation of iron ore from Afghanistan in which Steel authority of India has mining rights. But Iran's strained relationship with the US is the fly in the ointment of India's relationship with Iran. The US has not been able to solve Afghanistan's problem and Pakistan is hostile to US on the Afghanistan issue though recently US has lifted the ban on oil imports from Iran. In view of this India has to move cautiously in drawing Iran to its ambit and maintaining good relations with US.⁴⁹ After US withdrawal from Afghanistan India's relation with Iran is important to foster its interests

in Afghanistan. While China will penetrate with the support of Pakistan, India has to move cautiously with the support of Iran. Of course a change in India's policy towards Iran is evident but this has to be sustained. China is more cautious in its approach by befriending Iran and utilise Iran to advance its Silk Road Strategy⁵⁰

India has encouraged the defence establishment to be self reliant and reduce dependence on foreign vendors. Despite this it has imported foreign defence equipment to the tune of \$3.34 billion, in 2011 which is substantially up from \$1.26 bn in 2007. China has pursued indigenization of defence since long. Its military strength is much more than India.⁵¹ China has commissioned its first indigenously manufactured aircraft carrier. Presently most of the manufacturers of military equipment in India are in the public sector with about four joint ventures. Foreign collaboration has been sought but FDI in this sector is capped to 26 percent.⁵² In any case self reliance in defence is a better strategy from economic point of view and innovation of new technology.

Military cooperation as stated in the joint statement during the visit of Chinese prime minister Li focuses on maritime presence of India in East

Asia while China will continue its presence in India's neighbourhood. China indicated that "a distant relative may not be as useful as a near neighbour" which refers to India's closeness with US. But China as a neighbour is useful to some than to others.⁵³ This apprehension is due to China's ambivalence in its relation with India. Its interest in revival of South Silk Road is also ambiguous. In view of the success of the car rally held in February between Kolkata and Kunming by Bangladesh, China, India, Myanmar (BCIM) regional forum Li stressed for developing a BCIM economic corridor. The forum is an extension of Kunming initiative of China which began in 1999 to explore transport linkages between China's south-west region, Myanmar, Bangladesh and India's north east. The 11th meeting of the Forum was held in Dhaka in March 2013. North east being most sensitive where people feel alienated from India, the feasibility of such a link from the security point of view has been debated while its positive aspects would be economic development of the people and better travel facilities for people within the region as well as outside.

China conveyed its resentment in March 2013 against the arms buildup and gave a draft proposal to freeze

troop levels and defence on LAC. If India agrees to the proposal it will cap India's military buildup. China's present posture in DBO is the preliminary step to deal with India's military build up. It has a good road across the Depsang plains which allows it to patrol the LAC, the de facto border between India and China. Recently India's ongoing build up along the LAC has run into trouble at DBO in Ladakh. Since mid 2000 India started border buildup with the stationing of two mountain divisions to defend Arunachal Pradesh. Air defence bases were activated in Assam. But the military has to be equipped with armoured brigade and a mountain strike corps by 2017.⁵⁴ India does not have an all weather road neither a landing ground which severely restrains its military capabilities compared to China. In order to overcome this disadvantage India has stepped up its air capabilities to some extent but does not have infrastructure facilities on the ground. Geography is a great bottleneck. China's diplomacy to block construction of roads near the border is another handicap. China is at an advantageous position because of its "enviable infrastructure in Tibet". India has to build an all weather road over Saser La which will connect DBO with Leh, Patrapur and Kargil. So far a road in the north to DBO from the Pangong Tso Lake

along the Indian side of LAC could not be constructed. Without road links to the rest of Ladakh, DBO remains an isolated enclave across the Karakoram and Ladakh ranges. For civilian necessities and military equipment it is heavily dependent on the IAF. "If the Chinese would come up to Saser La" then control on Siachin Glacier would be seriously compromised since Saser La overlooks that area."⁵⁵

Conclusion

An analysis of India's relation with China reveals lack of trust between the two countries to develop an enduring peace. Bilateral issues combined with its economic power and ambition to dominate Asia and beyond has accelerated the pace of competition and mutual distrust. Its apprehensions about India's role in Tibet uprising has not changed though India has recognized Tibet as a part of China. It is perceived that the main purpose of premier Li's visit was "reappraisal of India as arising power and ... take its pulse on the border and Tibet Issues." Aksai Chin is important for China to have access to Tibet and it will never agree to have negotiation on that issue.⁵⁶

Unsettled border has given China a strategic leverage to keep India tense without damaging its

commercial interests. "India China summits yield little more than hype, spin and reassuring clichés. Certain issues remain constant in almost all summit meetings held between China and India. These are Line of actual Control (LAC), trade imbalance and Chinese activities in Pakistan Occupied Kashmir (POK) and rivers flowing to India from China".⁵⁷ The size of business delegates accompanying the Chinese premier testified its core interests. The outcome of the negotiations will justify the true intention of persuasive diplomacy.⁵⁸

Firming up relationship with almost all countries in India's neighbourhood is the key strategy to alienate India, penetrate their market and weaken India. In other Asian countries its competition with India to access their resources contradicts its posture displayed during bilateral negotiations. Its assertion on territorial issues with some of the Asian countries has provided opportunity to India to lever up its relationship. But China perceives that India is teaming up

with these countries to contain it.

"India and China agree that there is enough space for both India and China to grow and prosper in Asia and the world"...India is a classic *swing state* at this juncture of history but the diplomatic skills required to play this role are both subtle and sophisticated. In this case India need countervail China selectively without being enmeshed in the game of containment".⁵⁹ The commercial engagement has done more than political relationship to keep China-India linkage cordial. India has built up a strong tertiary sector and Chinese economy is export driven. Therefore, mutual dependence is more and border dispute has not frustrated growing commercial relationship. No less important is coming together on several issues of the region and the world. Their problems are common, aspirations are the same, conflict of interest should not be a perennial malaise, though competition has an edge over cooperation on several issues thereby making the relationship more ambivalent. ■

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India & China Trade Relationship: The Trade Giants of Past, Present and Future. 1. Introduction. The relationship between the two giants of Asia, and the world, has been progressing at a tremendous pace. Both nations have witnessed their share of ups-and-downs over the years. The intra-industry trade relationship between India and China has expanded consistently over the years. Around 53% of the trade between India and China is in the form of intra-industry, or similar products. This share has increase from 28% in 2007 to 53% in 2016. The regime should not favour any one nation; in this case the trade highly favours China whereas India is left with a huge trade deficit in its balance of trade. 4. Tariff Analysis. A tariff is a tax imposed by a country on an imported item. Indo-China: The trust deficit. July 3, 2020, 11:06 pm IST Rishabh Singh and Dhruv Bhargava in Voices | India, politics, World | TOI. A detailed overview of the relationship between India & China pertaining to the border dispute, geopolitics, trade, boycott movement and Covid-19. India sees itself as the southern branch of a four-petalled lotus, whereas China sees itself as the center. Shyam Saran. India and China have comparability to the extent that both the nations have kept their cultures intact as they shift towards modernity which invokes a sense of belongingness in the public. Although India and China elevated their relationship to a strategic level in 2005 and further to a 'developmental partnership' level during President Xi's visit in September 2014, the potential of the relationship between the two countries is yet to fully realised. This can be attributed to a lack of strategic trust and what is often described as the 'persistent security dilemma' prevailing between the two countries. This article attempts to catalogue some irritants which need to be addressed. First, the territorial dispute.