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# **CHINA – INDIA:**

Strategic Partnership for Prosperity and Peace

**Oriental Forum, Zhejiang University**

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# OUTLINE

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- ❑ History of Trade, Cultural and Political Exchanges
  - ❑ Co-operation in Trade and Investment
  - ❑ Engagement in Environmental Security
  - ❑ Geo-Political and Strategic Security Interactions
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# History of Exchanges - I

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## Trade relations

- ❑ Trade relations between India and China were well established even in the second century BC. [*Records of a Historian: Foreigners in southwest* by Si Maqian (BC 145 – 90), a well known Chinese historian].
- ❑ The Silk Route (expanded by Han dynasty during 114 BC) was an important path for cultural, commercial and technological exchange between traders, merchants and urban dwellers from Ancient China and India for almost 3,000 years. China traded silk, tea and porcelain and India traded spices, ivory, textiles and precious stones.
- ❑ Trade relations continued to expand during Tang (618-907), Song (960-1279) and Yuan (1279-1368) dynasties. By this time maritime activities were expanding.

# History of Exchanges - II

## Knowledge and cultural exchanges

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- ❑ Buddhism disseminated into China in Han dynasty 1st century AD: Building of White Horse Monastery to accommodate two highly proficient Buddhist scholar monks from India.
    - May 2010, the Indian President Pratibha Patil inaugurated a Buddhist complex built with an Indian investment of 4 million US dollars next to White Horse Monastery.
  - ❑ The movement of Indian scholar-monks to China lasted for centuries. Kumarajiva (343-413), famous Indian monk made valuable contributions to Buddhism in China.
  - ❑ On the Chinese side, Faxian (342-424), Xuanzang (600-664) and Yijing (635-713) are well known scholar-monks who visited India.
  - ❑ Nalanda University (5<sup>th</sup> century to 1197 CE) founded by king Sakraditya among the first great universities in recorded history for scholars from across Asia.
  - ❑ Hinduism also made inroads to China.
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# History of Exchanges - III

## Political co-operations

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- ❑ Nationalists and revolutionaries of India and China developed deep mutual synergies and contacts and friendship with each other amidst their anti-imperialist struggle.
  - ❑ Some Indian revolutionaries made China as one of their centers to carry out anti-British activities.
  - ❑ Gandhi's arrival at the Indian political scene, and his movement of *satyagraha* and *ahimsa* generated heated debates in China.
  - ❑ During the Sino-Japanese War, India dispatched a medical mission to China in 1938. Nehru made the bonds of friendship even stronger when he visited China in 1939.
  - ❑ India was the first among non-communist country to recognize the People's Republic of China and establish diplomatic relations.
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# Expanding Strategic Partnership - I

*2010 - China and India celebrated the 60th Anniversary Year of Diplomatic Relations*

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Lingyin Temple is one of the largest Buddhist temples in China. The monastery was founded in 328 AD by monk Huili, who came from India. Today the temple is thriving as a destination for both pilgrims and tourists.



The Indian Pavilion at the Shanghai World Expo 2010. Shaped as a Stupa, resembling the Sanchi Stupa built by King Ashoka in India. Built entirely of environment-friendly materials, showcasing India's unique brand of Culture, History and Soft Power.

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# Expanding Strategic Partnership - II

***"2011 - The year of India-China Exchange  
to deepen bilateral relations"***

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- ❑ Enhance strategic communication, advance functional co-operation, broaden cultural exchanges, and deepen and enrich the India-China Strategic and Co-operative Partnership for Peace and Prosperity.
    - ❑ Based on peaceful co-existence, mutual respect and sensitivity for each other's concerns and aspirations.
  - ❑ Greater Communication: The opening of a telephone hotline to foster regular consultations between the Indian PM and the Chinese Premier.
  - ❑ Annual exchange of visits between the two foreign ministers.
  - ❑ India-China CEO's forum to deliberate the expansion of trade and investment co-operation.
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## The 1st India-China Strategic Economic Dialogue - I

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Based on the consensus reached by the two governments, the India-China Strategic Economic Dialogue was announced as a Joint Communiqué issued during the visit to India by H.E. Mr. Wen Jiabao, Premier of the State Council of China in December 2010. The 1<sup>st</sup> Dialogue was held in Beijing, China on 26 Sept 2011. The following minutes were agreed by the two sides:

- ❑ **World Economic Situation**

India and China must continue to focus their efforts on domestic economic growth, which can provide stability to world economy.

- ❑ **Respective Domestic Macro-economic Situations**

To strengthen communication on macro-economic policies, share development experiences and enhance coordination in addressing economic challenges.

- ❑ **Mid and Long-term Development Plans**

Will learn from each other and conduct mutually beneficial co-operation in formulating and carrying out their respective mid and long-term development plans.

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## The 1st India-China Strategic Economic Dialogue - II

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### ❑ **Improving Investment Environment**

To stay committed to deepening bilateral investment cooperation, further opening markets, and improving the investment environment in India and China.

### ❑ **Infrastructure Cooperation**

To enhance cooperation in these sectors, particularly in the railway sector on the basis of mutual complementarities and benefit.

### ❑ **Energy Efficiency and Conservation, and Environmental Protection**

To strengthen cooperation on energy efficiency and conservation as well as on environmental protection and actively develop cooperation in energy matters including in the renewable energy sector in order to promote sustainable development.

### ❑ **Water Use Efficiency**

To enhance communication, encourage bilateral cooperation on water conservation and clean water technologies.

The two sides agreed that the **2<sup>nd</sup> India-China Strategic Economic Dialogue** will be convened in India in 2012. They also agreed that prior to the 2nd Dialogue, there would be a working group meeting to implement the consensus and decisions agreed to by the two sides at the 1st Strategic Economic Dialogue.

# CO-OPERATION IN TRADE AND INVESTMENT – I

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- ❑ Trade target of \$100 billion by 2015
  - ❑ Trade has grown 30 fold since 2000
  - ❑ Total trade volume reached over \$73 billion in 2011
- ❑ 50 deals in power, telecommunications, steel, wind energy, food and marine products worth \$16 Billion, were signed at the end of a business conference.
- ❑ Memorandum of Understanding (MoU) signed on 15<sup>th</sup> December 2010 to promote companies of both countries by providing business information, policy advice and technical co-operation in these sectors:
  - ❑ Engineering and Equipment
  - ❑ Power
  - ❑ Metallurgy
  - ❑ Cement Production
  - ❑ Pharma and Health
  - ❑ Information Technology
- ❑ Influx of cheaper Chinese commodities into the Indian market:
  - ❑ The Sari: Imports of cheaper saris from China competing with the traditional and local Sari industry, in Varanasi, India.

## CO-OPERATION IN TRADE AND INVESTMENT - II

The overall bilateral trade figures (in USD billions) for year 2011, released by China Customs:

	2009	2010	2011
India Exports to China	13.70	20.86	23.41
Growth %	-32.63	52.19	12.26
China Exports to India	29.57	40.88	50.49
Growth %	-6.17	38.25	23.50
Total India-China Trade	43.28	61.74	73.90
Growth %	-16.55	42.66	19.71
Trade Balance for India	-15.87	-20.02	-27.08

# CO-OPERATION IN TRADE AND INVESTMENT – III

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## Infrastructure:

- ❑ Expand co-operation in construction activities, exchange of technology and project specific investment flows for mutual benefit
    - ❑ Road Building
      - ❑ National Highway Development Programme extended to China; 7000 km of highways every year, for the next few years
    - ❑ Railways
    - ❑ Telecommunications
    - ❑ Manufacturing Sector
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# CO-OPERATION IN TRADE AND INVESTMENT – IV

## Finance and Banking:

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- ❑ Concluded a memorandum of Understanding between the Reserve Bank of India (RBI) and the China Banking Regulatory Commission to increase banking and financial cooperation
  - ❑ Granted permission to banks of the other country to open branches and representative offices
  - ❑ China's largest bank Industrial & Commercial Bank of China (ICBC) opened its 1<sup>st</sup> branch in India (September 2011 in Mumbai).
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# CO-OPERATION IN TRADE AND INVESTMENT – V

## Educational exchanges and promoting language:

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- ❑ 5,000 Chinese students estimated to have been studying in India in 2010.
- ❑ Mostly enrolled in computer-science or English language programmes.
- ❑ The Bharathidasan University in Trichi, India, appointed the Sailcon Beijing Education Company, as its representative for facilitating admission of Chinese students
  - ❑ As many as 1,000 Chinese students are enrolled in-
    - ❑ Computer Science and Engineering
    - ❑ Information Technology
    - ❑ Software Engineering
    - ❑ Business Administration
- ❑ Establishment of the India-China outstanding college students programme
- ❑ Cultural Exchange Programme (CEP) under which 25 scholarships are granted every year to Chinese students wanting to pursue higher studies in India
- ❑ China to provide Chinese language training material
- ❑ The Central Board of Secondary Education (CBSE) in India introduced Mandarin as a foreign language from April 2011
- ❑ The finalization of an agreement on mutual recognition of degrees and diplomas

# CO-OPERATION IN TRADE AND INVESTMENT – VI

## Indian communities in China

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- About 8,000 Indian students are enrolled in various Chinese Universities, particularly in Chinese medical universities where they are pursuing MBBS studies.
  - The Indian community in China has been increasing and is currently estimated to be around 48,000 in Mainland China.
  - A significant number of the community in Mainland China are traders working for Indian owned and locally registered trading companies.
    - Many of them are based in Guangzhou, Shenzhen (both in Guangdong province in southern China), Yiwu (a small city in Zhejiang province well known for its small commodities markets) and Shaoxing County (also in Zhejiang province, and home of Asia's largest textile trading center).
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# CULTURAL EXCHANGES

- ❑ Greater exchanges between civil society organizations, Bollywood films, youth, media, think tanks, artists and cultural programmes.
  - ❑ China invited 500 Indian youth from various fields to visit China in 2011.
  - ❑ Chinese students visit India on volunteering programmes. Bollywood films popular among Chinese youth.
  - ❑ Memorandum of Understanding signed on Media Exchanges as well as the Programme of Cultural Exchanges between 2010-2012.
  - ❑ Both sides agreed to discuss compiling an encyclopaedia on India-China cultural contacts.
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# ENVIRONMENTAL SECURITY - I

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## Climate Change:

- ❑ Need of sharing climate-friendly technologies
  - ❑ A joint communique stating “bilateral cooperation in the area of mitigating and adapting to climate change” and agreeing to strengthen such cooperation was issued after talks between Prime Minister Manmohan Singh and Chinese Premier Wen Jiabao
  - ❑ Memorandum of Understanding signed on Green Technology in December 2010
    - ❑ Provides a platform to discuss and explore mutually beneficial technologies.
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# ENVIRONMENTAL SECURITY - II

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## **Water Issues:**

- ❑ Chinese initiative to tap Himalayan rivers for hydropower.
  - ❑ In 2008, China announced plans to build a series of dams in Tibet; a hydel power station on the middle reaches of the river Brahmaputra.
  - ❑ The \$62 billion “South-to-North Water Diversion” is aimed to address China’s Northern water crisis.
  - ❑ This will impact millions of lives in seven countries that lie downstream- India, Bangladesh, Myanmar, Cambodia, Laos, Vietnam and Thailand.
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# GEO-POLITICAL AND STRATEGIC SECURITY INTERACTIONS - I

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## **Five Principles of Peaceful Coexistence, an agreement between China and India in 1954.**

1. Mutual respect for each other's territorial integrity and sovereignty,
  2. Mutual non-aggression,
  3. Mutual non-interference in each other's internal affairs,
  4. Equality and mutual benefit, and
  5. Peaceful co-existence.
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# GEO-POLITICAL AND STRATEGIC SECURITY INTERACTIONS - II

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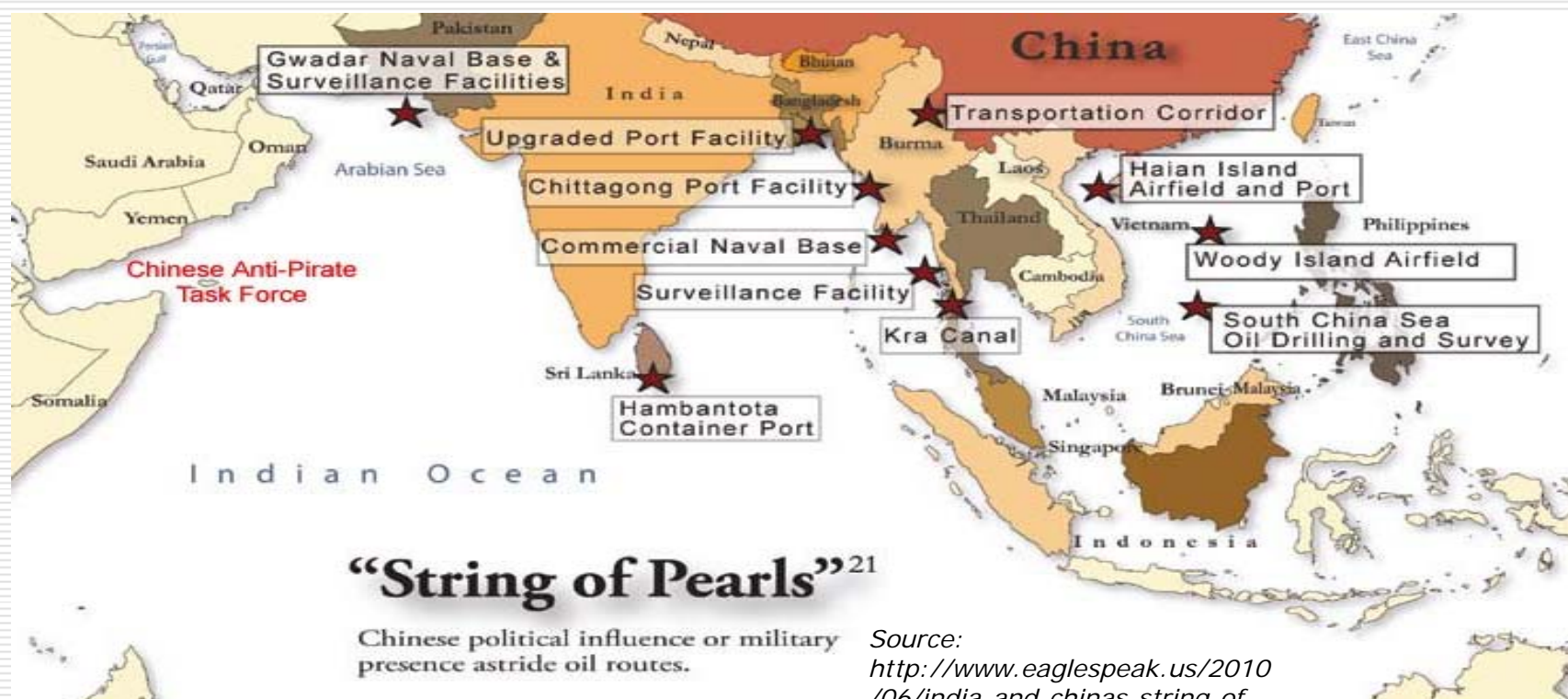
## Border Issues:

- ❑ Contested territories and border disputes in Kashmir, Tibet and Arunachal Pradesh. Heavy militarization of borders.
  - ❑ Sino-India border disputes:
    1. Sino-India war 1962: 20<sup>th</sup> Oct – 21<sup>st</sup> Nov at Aksai chin and North-east frontier.  
Result: Chinese military victory, then unilateral withdrawal
    2. Chola Incident: 1967, a day long military conflict in sikkim.  
Result: Bilateral ceasefire.
    3. Sino-Indian skirmish: Mid-1987 at Sumdorong Chu Valley  
Result: Both sides showed military restraint.
  - ❑ Perception that China blocking a permanent seat for India on the United Nations Security Council
  - ❑ China's close strategic ties with Pakistan and smaller South Asian neighbours
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# GEO-POLITICAL AND STRATEGIC SECURITY ISSUES - III





## Chinese String of Pearls

- ❑ China's attempt to gain a strategic foothold in the Indian Ocean
- ❑ Strengthening economic and security ties with Pakistan, Myanmar and Sri Lanka



## GEO-POLITICAL AND STRATEGIC SECURITY ISSUES – IV

### The military balance

Country	Military spending 2011	Active personnel	Key equipment
SOURCE: IISS, SIPRI			
			
China	\$143bn*	2,285,000	<b>7,400</b> battle tanks <b>1,669</b> fighter/ground attack aircraft <b>62</b> submarines <b>66</b> land-based intercontinental ballistic missile launchers
India	\$48.9bn	1,325,000	<b>3,233</b> battle tanks <b>784</b> fighter/ground attack aircraft <b>15</b> submarines <b>0</b> land-based intercontinental ballistic missile launchers

\*Official budget at market exchange rates. Many analysts say China's actual spending on defence is far higher than the government reports.

# GEO-POLITICAL AND STRATEGIC SECURITY ISSUES – V

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- The main strategic dynamic behind China's nuclear modernisation is the need to maintain a secure second-strike capability to launch a counter-attack if China is attacked with nuclear weapons. " "India and China have similar nuclear doctrines, as both emphasize no first use and achieving deterrence through development of a secure second-strike. " — Taylor Fravel, Associate Professor at the Massachusetts Institute of Technology.
  - "From China's perspective," Taylor Fravel says, "the main threat to this capability comes from United States. The US sees China's modernisation plans - especially its move to develop a sea-going component for its nuclear deterrent — as indicative of a growing threat to continental United States.
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## GEO-POLITICAL AND STRATEGIC SECURITY ISSUES – VI

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- ❑ "It is important to solve the India-China border dispute and for that some give and take is necessary," We are competitors, not rivals," — General JJ Singh, Governor of the frontier state of Arunachal Pradesh.
- ❑ China's comment to the Agni-V missile launch: "China and India are both big emerging countries, we are not rivals but co-operation partners," — Mr Liu Weimin, Spokesperson for Ministry of Foreign Affairs of China.
- ❑ "It is wrong to see in the dynamics between Beijing and Delhi echoes of the Cold War arms race between the US and the Soviet Union. " — Jeffrey Lewis, Head of the East Asia Non-proliferation Programme at the Center for Non-proliferation Studies in Monterey, California.
- ❑ "India's development of nuclear missiles does not undermine China's own deterrent capability, although it may strengthen India's. China retains the ability to survive a first strike by India, however unlikely that may be." — Taylor Fravel, Associate Professor at the Massachusetts Institute of Technology.



## GEO-POLITICAL AND STRATEGIC SECURITY ISSUES – VII

### Regular and Frequent Meetings between Leaders of China and India

Chinese Leaders	Indian Leaders	Time	Place
Premier Wen Jiabao	Prime Minister Dr. Manmohan Singh	April 2005	India
President Hu Jintao		November 2006	India
President Hu Jintao Premier Wen Jiabao	Sonia Gandhi	August 2008	China
President Hu Jintao and Premier Wen Jiabao	Prime Minister Dr. Manmohan Singh	January and October 2008	China
President Hu Jintao, NPC Chairman Wu Bangguo, Premier Wen Jiabao and CPPCC Chairman Jia Qinglin	President of India	May, 2010	China
Premier Wen Jiabao	President Smt. Pratibha Patil, Prime Minister Dr. Manmohan Singh, Vice President Shri Hamid Ansari, UPA Chairperson Smt. Sonia Gandhi and the Leader of Opposition Smt. Sushma Swara	December 2010	India
President Hu Jintao	Prime Minister Dr. Manmohan Singh	April 12-15 2011	China
President Hu Jintao	Prime Minister Dr. Manmohan Singh	March 2012	India

# At the closing ceremony of the Festival of China in India, December 16<sup>th</sup> 2010

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## Prime Minister Dr. Manmohan Singh

*“When two Asian giants speak in one voice, the world listens”*

*“The cooperation between India and China will be the keystone of the unfolding Asian century”*

*“Our relationship has transcended the bilateral dimension and has assumed global and strategic significance”*



## Chinese Premier Wen Jiabao

*“With our joint efforts, we will be able to take our friendship and cooperation to a higher level in the 21st century”*

*“China attaches great importance to India’s status in international affairs as a large developing country, understands and supports India’s aspiration to play a greater role in the UN Security Council”*

# Chinese president meets Indian prime minister on March 29, 2012

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- ❑ Maintain high-level contacts and increase political mutual trust
  - ❑ Promote bilateral trade and mutual investment
  - ❑ Expand cultural and people-to-people exchanges so as to promote mutual understanding
  - ❑ Properly handle their differences and work for peace and stability
  - ❑ Strengthen communication and co-ordination to expand cooperation in international affairs
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# Shifting trends in global economy and influence



- The world's economic centre of gravity, 1980–2007 (black) and extrapolated (in red, reduced size, italicized), at 3-year intervals.
- "The world's economic centre of gravity to locate by 2050 literally between India and China", Prof Danny Quah, LSE.

# China & India's Positions in the World Economy

	Positions in the World	
	China	India
GDP	2 <sup>nd</sup>	11 <sup>th</sup>
GDP per capita	88 <sup>th</sup>	139 <sup>th</sup>
Exports of goods in the world	1 <sup>st</sup>	19 <sup>th</sup>
Imports of goods in the world	2 <sup>nd</sup>	10 <sup>th</sup>
Population	1 <sup>st</sup>	2 <sup>nd</sup>
Human Development Index	101 <sup>st</sup>	134 <sup>th</sup>
Corruption Perceptions Index	75 <sup>th</sup>	95 <sup>th</sup>

**Both are G-20 major economies and members of BRICS.**

Data Source: IMF 2011, WTO 2012, Transparency International 2011

# In Summary

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- ❑ In 20 years, China will be the world's largest economy and India will likely be the world's 3<sup>rd</sup> largest economy. It is of mutual benefit for the markets and businesses to co-operate.
  - ❑ India and China are two of the world's oldest civilisations and have co-existed peacefully for millennia.
  - ❑ China and India, each have their unique advantages. The two countries are complementary.
  - ❑ Through co-operation for prosperity and peace; sharing knowledge and expertise; understanding, appreciation and respect for each other; China and India can once again enjoy their former glory and influence.
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