

**Panel:** China and India (Lilac & Tulip Room)

**Date/Time:** Wednesday, December 12, 2012 / 09:00-10:15

**Talking Points for:** Maj Gen YK Gera, Consultant and Head, United Service Institution of India

### General

1. China and India have historically been regional competitors and economic partners. Even in modern times both countries continue to operate at two levels. Co-operation in trade and economic field and divergence in the field of regional security and related issues.

### Economic Co-operation

2. China and India accounted for nearly 40 per cent of global output until the late eighteenth century. Colonisation of India and semi colonisation of China dealt a blow to Asia's preeminent position in the world economy. China's high growth rates since 1978 and India's since 1991 have revived the promise of Asia's giants reclaiming their prime positions.
3. China has followed the path of manufacturing, assembly and processing and emerged as the factory of the world including the organisation for Economic Co-operation and Development (OECD) comprising 34 rich nations.
4. India has focused on Information Technology Enabled Services (ITES) and software hub. In addition India has done well in skill intensive manufacturing like automobile components, pharmaceuticals and biotechnology. The paths are different because of internal structural conditions in their political economics. However, economies of both China and India have done well.

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5. Trade and investment between the two countries has expanded. China has become India's largest trading partner with trade crossing \$75 b mark annually; although balance of payment is in China's favour.
6. There are a number of institutionalised India- China dialogues including economic strategy. Mutual economic stakes are increasing at a fast pace. These would compel them to remain engaged.

### **Co-operation on Global Issues**

7. India and China have co-operated credibly on climate change, pollution control and multilateral trade.

### **India's Relations With Major Powers**

8. India is strategic partner of the USA. India is also friendly with other major powers, including Russia, China and Japan. India is a member of a trilateral India-Russia-China Forum, an observer at the Shanghai Cooperation Organisation and a member of BRICS- Brazil, Russia, India, China and South Asia.

### **Area of Divergence in Relations**

9. Broadly areas of differences in approach on the following issues are there between India and China:-
  - (a) Growing US-India Partnership

China's concerns on the US "Pivot" or "rebalancing" have emerged as Beijing's foreign policy focus. It is likely to cast a shadow on ties with India. In fact ever since the Indo-US civilian nuclear co-operation deal, China has

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been unhappy about India's growing proximity to the US. It would not, therefore, want to push these two countries even closer together. The overall situation does enable India to deal with the situation more deftly than in the past.

(b) The China – Pakistan Nexus

China is widely believed to have helped Pakistan to acquire nuclear and missile capabilities. China has built Gwadar Port on Pakistan's Makran coast to acquire access to Gulf oil and transport it home through the Karakoram highway or through a pipeline. In Pok PLA personnel are believed to be working on a number of projects. There is an apprehension that in the event of a military conflict China may use Pakistan and its territory against India.

(c) Land Border Dispute

China is in illegal occupation of Indian territory in the state of Jammu and Kashmir. Areas are Aksia Chin and Shaks gum Valley. In addition China has been claiming state of Arunachal Pradesh as Southern Tibet. The land border dispute can act as a flash point.

(d) Tibetan Issue

Dalai Lama sought refuge in India in 1959. Over a lakh Tibetan Refugees also came to India. They all continue to live in India. China does not like this. Tibetan refugees in India are not allowed to carry out political activities against China. However, China continues to be apprehensive.

### **Conclusion**

10. China is a rising power. Its continued rise is likely to lead to increased strategic assertion vis a vis its competitors. China follows a policy of restraining India

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politically and at the same time seeks enhanced economic engagement. India may follow the policy of engaging China and at the same time balance it by developing viable political, diplomatic, economic and military leverages in consonance with its legitimate aspirations and national interests. In real world, capabilities matter more than intent. India should continue to build 'Comprehensive National Power' to realise her full potential and occupy her place in the comity of nations.

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