

# India - China Relations: Notes for UPSC

India-China relations is an important topic from the GS Paper II, International Relations perspective of the UPSC Exam.

The People's Republic of China (PRC) was established on October 1, 1949, and India was the first non-communist country to establish an Embassy in PRC. On April 1, 1950, India and China established diplomatic relations. The two countries also jointly expounded the Panchsheel (Five Principles of Peaceful Co-existence) in 1954.

## Background of India-China Relations

Chinese Premier Zhou Enlai visited India in June 1954 and Prime Minister Nehru visited China in October 1954. Premier Zhou Enlai again visited India in January 1957 and in April 1960. The Sino-Indian conflict in 1962 led to a serious setback in bilateral relations. India and China restored ambassadorial relations in August 1976. Higher political level contacts were revived by the visit of the then External Affairs Minister, A.B. Vajpayee in February 1979.

The Chinese Foreign Minister Huang Hua paid a return visit to India in June, 1981. Prime Minister Rajiv Gandhi visited China in December 1988. During this visit, both sides agreed to develop and expand bilateral relations in all fields. It was also agreed to establish a Joint Working Group (JWG) - to seek fair, reasonable and mutually acceptable solutions on the boundary question - and a Joint Economic Group (JEG). From the Chinese side, Premier Li Peng visited India in December 1991. Prime Minister Narasimha Rao visited China in September 1993.

The Agreement on the Maintenance of Peace and Tranquility along the Line of Actual Control (LAC) in the India - China Border Area was signed during this visit, providing for both sides to respect the status quo on the border, clarify the LAC where there are doubts and undertake CBMs. President R. Venkataraman paid a state visit to China in May 1992.

This was the first Head of State-level visit from India to China. President Jiang Zemin's state visit to India in November 1996 was similarly the first by a PRC Head of State to India. The four agreements signed during his visit included the one on CBMs in the Military Field along the LAC covering adoption of concrete measures between the two militaries to enhance exchanges and to promote cooperation and trust. India-China political relations are enhanced and strengthened by various mechanisms. There is a close and regular interaction between strategic and foreign policy think-tanks.

## Relations After Nuclear Test

After the nuclear tests in May 1998, the relations faced a minor setback. External Affairs Minister Jaswant Singh visited China in June 1999 and both sides reiterated that neither country is a threat to the other. President K.R. Narayanan's visit to China in May - June 2000 marked a return to high level exchanges. Premier Zhu Rongji visited India in January 2002. Prime Minister A.B. Vajpayee visited China in June 2003 during which a Declaration on Principles for Relations and Comprehensive Cooperation was signed. This was the first comprehensive document on development of bilateral relations signed at the highest level between India and China. India and China concluded a border trade protocol to add a border crossing between Sikkim and Tibet Autonomous Region. The two Prime Ministers appointed Special Representatives to explore from the political perspective of the overall bilateral relationship the framework of a boundary settlement.

## **Indian Companies in China**

With the growth in bilateral trade between India and China in the last few years, many Indian companies have started setting up Chinese operations to service both their Indian and MNC clientele in China. Indian enterprises operating in China either as representative offices, Wholly Owned Foreign Enterprises or Joint Ventures with Chinese companies are into manufacturing (pharmaceuticals, refractories, laminated tubes, auto-components, wind energy etc.), IT and IT enabled services (including IT education, software solutions, and specific software products), trading, banking and allied activities.

While the Indian trading community is primarily confined to major port cities such as Guangzhou and Shenzhen, they are also present in large numbers in places where the Chinese have set up warehouses and wholesale markets such as Yiwu. Most of the Indian companies have a presence in Shanghai, which is China's financial center; while a few Indian companies have set up offices in the capital city of Beijing. Some of the prominent Indian companies in China include Dr. Reddy's Laboratories, Aurobindo Pharma, Matrix Pharma, NIIT, Bharat Forge, Infosys, TCS, APTECH, Wipro, Mahindra Satyam, Dr. Reddy's, Essel Packaging, Suzlon Energy, Reliance Industries, SUNDARAM Fasteners, Mahindra & Mahindra, TATA Sons, Binani Cements, etc. In the field of banking, ten Indian banks have set up operations in China. State Bank of India (Shanghai), Bank of India (Shenzhen), Canara Bank (Shanghai) and Bank of Baroda (Guangzhou), have branch offices, while others (Punjab National Banks, UCO Bank, Allahabad Bank, Indian Overseas Bank, Union Bank of India etc.) have representative offices. Apart from PSU banks, private banks such as Axis, ICICI also have representative offices in China.

## **Chinese Companies in India**

According to information available with the Embassy of India, close to 100 Chinese companies have established offices/operations in India. Many large Chinese state-owned companies in the field of machinery and infrastructure construction have won projects in India and have opened project offices in India. These include Sinosteel, Shougang International, Baoshan Iron & Steel Ltd, Sany Heavy Industry Ltd, Chongqing Lifan Industry Ltd, China Dongfang International, Sino

Hydro Corporation etc. Many Chinese electronic, IT and hardware manufacturing companies also have operations in India. These include Huawei Technologies, ZTE, TCL, Haier etc. A large number of Chinese companies are involved in EPC projects in the Power Sector.

These include Shanghai Electric, Harbin Electric, Dongfang Electric, Shenyang Electric etc. Chinese automobile major Beijing Automotive Industry Corporation (BAIC) has recently announced plans to invest US\$ 250 million in an auto plant in Pune. TBEA a Xinjiang-based transformer manufacturer has firmed up plans to invest in a manufacturing facility in Gujarat. During the visit of Premier Wen to India, Huawei announced plans to invest in a telecom equipment manufacturing facility in Chennai.

India-China economic relations constitute an important element of the strategic and cooperative partnership between the two countries. Several institutional mechanisms have been established for enhancing and strengthening economic cooperation between the two countries. Besides the India-China Joint Economic Group on Economic Relations and Trade, Science and Technology (JEG) and the India-China Strategic and Economic Dialogue (SED), a Financial Dialogue has also been taking place between the two countries since 2006.

## **India-China Financial Dialogue:**

In accordance with the MoU on the Launch of the Financial Dialogue between India and China, signed during Chinese Prime Minister Wen Jiabao's visit to India in April 2005, the two sides have since successfully held Financial Dialogues. A Joint Statement was signed and released at the end of the Dialogue. During the Dialogue, both sides exchanged views on the global macro economic situation and policy responses, with specific reference to current risks to the global economy and the role of India and China in the post crisis recovery phase. Discussions also took place on G20 issues including reforms in the International Monetary System and the Framework for Strong, Sustainable and Balanced Growth.

## **Banking Links:**

Many Indian banks have established their presence in mainland China in the last few years. Four Indian banks, namely, State Bank of India (Shanghai), Canara Bank (Shanghai), Bank of Baroda (Guangzhou) and Bank of India (Shenzhen) have branch offices in China. At present, State Bank of India is the only Indian bank to have authorization to conduct local currency (RMB) business at its branch in Shanghai. More Indian banks are planning to upgrade their Representative Offices in China to branch offices and existing branch offices are applying for RMB license. Various Government institutions and agencies from the two countries have also been interacting with each other for furthering cooperation in the areas such as taxation, human resource development and employment, health, urban development and tourism. There is a close exchange and interaction between the economic think tanks and scholars as well.

## **Chinese President Xi Jinping's Visit (In September 2014)**

Recently, Chinese President Xi visited India. China's President Xi Jinping's visit to India will go down the history in five major aspects.

### **Result of the visit**

- Annual Visits at the level of heads of State/Govt.
- A city in each country identified for a smart city demonstration project
- Increase speed on the existing line from Chennai to Mysore via Bangalore
- Training in heavy haul for 100 Indian Railways officials
- Redevelopment of existing railway stations and establishment of a railway university in India
- 2015 as the 'Visit India Year' in China and 2016 as the 'Visit China Year' in India
- Promoting tourism products and routes in India based on the historical travels of the Chinese-monk scholar Xuan Zang to India in the 7th century AD
- China would be a partner country at the Delhi International Book Fair 2016
- China would be a guest country at Indian International Film Festival 2014
- Strengthen exchanges in movies, broadcasting and television shows
- First round of maritime cooperation dialogue to be held this year.

## **Latest Developments in India-China Relations**

- In September 2014 the relationship became strained as troops of the People's Liberation Army (PLA) reportedly entered two kilometres inside the Line of Actual Control (LAC) in Chumar sector. The next month, V. K. Singh said that China and India had come to a "agreement of views" on the threat of terrorism emanating from Pakistan.
- On 16 June 2017 Chinese troops with construction vehicles and road-building equipment began extending an existing road southward in Doklam, a territory which is claimed by both China as well as India's ally Bhutan.
- On 28 August 2017, China and India reached a consensus to put an end to the border stand-off. Both of them agreed to disengage from the standoff in Doklam.
- On 18 June 2017, around 270 Indian troops, with weapons and two bulldozers, entered Doklam to stop the Chinese troops from constructing the road. Among other charges, China accused India of illegal intrusion into its territory, across what it called the mutually agreed China-India boundary, and violation of its territorial sovereignty and United Nations Charter.
- In May 2018, the two countries agreed to coordinate their development programmes in Afghanistan in the areas of health, education and food security.
- In 2019, India reiterated that it would not join One Belt One Road initiative, stating that it cannot accept a project that ignores concerns about its territorial integrity.

- On 11 October 2019, Chinese president Xi Jinping met with Indian prime minister Narendra Modi at Mahabalipuram, Tamil Nadu, India for a second informal meeting between India and China