

SINO-INDIAN RAPPROCHEMENT IN THE CHANGING DYNAMICS OF THE SOUTH ASIAN REGION

Pervaiz Ali Mahesar*

Prof. Dr. Aslam Pervez Memon**

Abdul Hameed Mahesar***

Abstract

India and China- the most populous countries in the world, have assumed a global dimension and impact. Both are emerging economic powerhouses, engines of global peace and security. The post cold war era is considered as a watershed in the annals of international relations. Aftermath of this change was in the shape of nationalism, ethnicity, civil wars, and decolonization. India and China are considered to be two-third of world population and evolving economic engines. With the increasing wave of anti-Americanism in the South East and South West Asia, regional powers: China and India are attracting and inspiring their neighbors for defense, economic investment and development. The power equation that is going to take place at regional and global level will not be devoid of challenges and opportunities. It is widely believed that China is going to be an emerging economic power. Since Chinese economy has passed various successful phases of modernizations and its changing foreign policy, rapprochement with her immediate neighbor (India), has marked a new chapter in India-China relations. This article highlights the concept of rapprochement, peace overtures made after Rajiv Gandhi period in trade and commerce and border issue with China.

Keywords: *Non Aligned Movement, Cold War, Military conflict, Economic Modernization, McMohan Line, Rapprochement*

1.1 Brief background of Sino-India Ties

Sino-India relationships have experienced many ups and downs during and after the Cold War. Nehru envisioned a close relationship between his country and

China. The two countries had great potential and no territorial ambitions. Nehru believed that they shared a common path. Both were on the side lines, watching the Cold War between the US and USSR. Both had large population and needed to build their respective economics. Both aspired to become great powers and had the requisite potential to do so (Mona Lisa D.Tucker, 2003).

Historically speaking, India became independent two years before the Chinese Communist party (CCP) secured power in China in 1949. India's first Prime Minister Jawahar Lal Nehru initially conceived of a synergistic relationship between New Delhi and Beijing. Both countries had huge populations and immense developmental challenges, and were thus natural partners. Both also shared a wariness of western political meddling. The peace overtures made between two giants was the by-product of their frequent meetings. Let it be very clear that Chou Enlai of China and Indian delegation have had a meeting under a cordial environment. These efforts on both sides were largely encouraged. The signing of a landmark document like "Punch Sheel" was inked. The signing of this historical document further took their existing relations to the apex of new understanding. (Christopher J. Rusko, et al, 2007)

India and China are the World's two most populous countries; they share a 4,500 Kilometer long border, most it between northern India and Tibet. The Mac Mohan Line that separates both India and China besides being a formidable barrier between the two countries. The Great Britain came up with a solution of demarcation of boundary with Tibet. In connection to this, a Simla Accord agreement was signed in 1914. The name of this boundary line was drawn after the British chief negotiator on Boundary commission Sir Henry Mc Mahon. There has been a tug of war on both sides- India and China. Because both parties don't agree on each other's claim over the boundary. This rigid attitude on the both sides of the border resulted into conflict in 1962. During the Cold War era, India was an ally of the Soviet Union while China was one of the Soviet Union's bitterest enemies. Not long Nehru declared "Indians and Chinese are brothers", Mao made a mockery of this when he invaded the Indian Himalayas.

However, relations could no longer remain same. In fact interests of different nation states differ radically from time to time. It is said that China had control over Tibet. China, to the utter disappointment of India, developed an outpost

near Laddakh. The Chinese believed that the troop's deployment and establishing road would benefit it. The Chinese province-Xinjiang is situated at the West of China. The establishment of linkages will bring closer to Tibet and Xinjiang. These steps on the part of China, along with arrest of Indian soldiers, bounced back Indian reaction. Indian leadership of the time took various measures with regard to sending forces into the Aksai Chin. This period resulted in the heavy exchange of fire on both sides of the border. This conflict took new horizons during October and November 1962. Before the ceasefire took place, the Chinese troops had controlled at least 2000 sq km. (New York Times)

India and China have begun to shed their wariness towards each other by initiating measures to stabilize their relationship. The rapprochement is based on social and political stability. The sustainable economic growth requires both powers to normalize their relations (Mohan Malik, 2004). Unmistakable upswing portrays India-China relations, since the late 1980s, as evident from the visits to each other country (B.M. Chengappa, 1993). On December 19, 1988, Rajiv Gandhi arrived in Beijing on a first day state visit to China. It was after 32 years that an Indian PM set his foot on the Chinese soil. The Rajiv's visit was not out of the blue. It was on the anvil ever since the Indian PM had met his counterpart Zhao Ziyang at the UN in October 1985 (Khalid, Mehmood).

However, Rajiv Gandhi (1984-1989) visit was characterized as path breaking and marked a new beginning in the process of improving Sino-Indian ties. His visit was termed as historic for various reasons. First, he was the first Indian Prime Minister to have visited China after a gap of 24 years. Second, it was during his visit that both countries signed the agreement to set up the Joint Working Group Third, both countries agreed to concentrate on expanding bilateral cooperation in non-controversial fields. The Post Cold War era has offered enormous opportunities to New Delhi and Beijing to move in the direction of the productive relationship. "Both countries have realized the imperative need for cooperation in diverse areas. Especially in the trade and economic domains, in the long term interest of peace and stability in Asia, as well, as of faster economic development and prosperity at home" (Jain.B.M. India, 2004)

Deng Xiaoping (1982-87) - Chinese revolutionary had said that 'only when China and India develop well, can one claim that the century of Asia has come.

If China and India strengthen cooperation, Asian unity, stability and prosperity will be very hopeful; the world will be peaceful and make more progresses. In spite of a brief downward trend in relations due to 1962 and then 1998, nuclear tests, their relationship continued to experience warmer relations, especially economic links as well as cooperating international affairs. Thus, June 2003 saw the declaration of Principles for Relations and Comprehensive Cooperation which forged a consensus included shared visions of a multi-polar non US World.

The emerging nexus between India and China was due to the increasing trade and from time to time military exercises have proven to be fruitful and have assumed strategic and global outlook. Keeping in view this major shift, analysts view Chinese relations with India in terms of increasing strategic interdependence. Indian leaders are of the view that the rising interdependence is due to the civilization harmony between India and China. The frequent exchange of visits has somehow put the record straight. With the landmark visit of Hu Jintao to India has further left a greater impetus on the India and China relationship. It is said that in the first decade of 21st century, China has adopted a neutral posture towards India and Pakistan affairs. (Dailu. Yang, et, al, 2006)

Sino-Pak relations can be seen in three phases Indo-Pak War 1965, Bangladesh debacle 1971, nuclear relations 1970's (Ogden, Chris, 2010). If one looks at the history and Beijing's motivations for cultivating ties with Islamabad, the relationship has flourished along three dimensions: Security cooperation, financial support and political support. Moreover, for China, the motivations for pursuing a relationship with Pakistan have evolved over time. In the early 1960's Beijing was driven to obtain a hedge in South Asia against India's hegemonic ambitious. Another motivating factor was in late 1979, when Pak-China added a new layer of converging interests to their friendship when the Soviet Union invaded Afghanistan. Besides a nuclear cooperation, Beijing is said to be principal arms supplier to Islamabad. In 2009, China became Pakistan's second largest trading partner. However, Chinese economics, technological, diplomatic and military support is being seen with suspicious. And this further creates mistrust between India and China (Ibid 2006).

'One of the most basic principles for making and keeping peace within and between nations...is that in political, military, moral, and spiritual

confrontations, there should be an honest attempt at the reconciliation of differences before resorting to combat', said Jimmy Carter. The border conflict between India and China changed perceptions of each other dramatically; the establishment of strategic relationship between India and former Soviet Union during the Cold War period further enhanced the Sino-Pakistani relationship.

However, since the normalization of Sino-Soviet and Sino-India relations, the Sino-Pakistan relationship has gradually lost its original meaning. From 1990's to 99, China is believed to be adopting a neutral policy. This perception is widely held in Pakistan. Despite this negative perception, China is unlikely to shun Pakistani card.

The foreign policy of any nation state is the byproduct of its internal and external relations. All the nation states pursue their national interests in a more effective and meaningful way while interacting with other nation states of the world. International relations have assumed a great importance due to the factors like globalization, trans-border movement, fast communication, technological advancement and economic diplomacy. Every country crafts its foreign policy in a careful manner. These policies are framed up by those who are at the helm of state affairs. National interests of any country are supreme. Nation states try to achieve their interests by applying peaceful means with other nation states and exploit them in its favor.

Chinese foreign policy has been subject to the change and continuity. From 1949 to 1980, the foreign policy making in China has been shaped by various factors and forces, for example, Indian Non-Alignment, joining of Pakistan in SEATO and CENTO, Korean crises and territorial disputes with India. Keeping in view the geo-political change during Cold War era, Chinese leadership began to think in terms of enhancing economic and military capability besides introducing or bringing about new infrastructural changes. The foreign policies objectives of China have been to improve security, safety and integrity of a nation state. It believes in peaceful reunification, political harmony, economic growth, trade and investment, export and import. It believes in peace and tranquility, modernization, world peace and peaceful rise in the region (<http://countrystudies.us>).

India is being portrayed as one of the populous and fastest growing economic power in the South Asian region (<http://www.fmprc.gov>). It is needless to say that

it expends huge on military armaments. If one compares its purchasing power, one could easily fathom that it is believed to be a regional power (BBC, 2007). It is going to be an assertive in regional power politics (*Nationmaster.com*). India is widening its role and stature by contributing in international peace and security not only in the region but in the world at large.

India gets the credit of creating various regional and international organizations. Among those landmark achievements, the emergence United Nations Organizations of (UNO), Non-Alignment Movement (NAM), Asian Development Bank (ADB) and G-20 (Group twenty). This Group comes in the category of the most industrialized nation states of the world. It is being said that its role in regional organizations has been very much impressive. It played an important role in East Asia Summit, World Trade Organization, International Monetary Fund, Group Eight and IBSA Dialogue Forum. Regionally speaking, it is playing an instrumental role in South Asian Association of Regional Countries.

The focus of India's foreign policy is founded on the national interests. Foreign policy has to face the music as far as the developments and challenges in the world. With regard to this, India is very active in establishing its ties with the world based on a rigorous and realistic in contemporary world. Moreover, its concern has to stand like a shield in order to protect its sovereignty and territorial integrity. More than 20 million people of Indian origin are busy to contact with the mother country. India's focal point has been its nation's betterment. For this, it is putting its best efforts to make India a peaceful and secure region for the people.

According to Indian observers, there is a fundamental clash of interests between India and China. This clash is deeply rooted in history, strategic culture, geo-politics and geo-economics. It is, however, clearly manifested in their determination to prevent each other from becoming a great power. It is said that Sino-Indian relations today constitute a new Cold War. Moreover both share similar aspirations towards status and influence. This will further came the way for more competitive aspect into Sino-Indian relationship. This Cold War will be a dominant factor in Asian Geo-Politics in the early 21st Century.

The China and India have witnessed war as well as peace. Besides convergence in their relationship, there is also divergence in their relationship. This factor, in

one way or the other, have hampered both powers from becoming Asia's major power. That divergence is seen in the following sectors, first, unresolved territorial disputes, second, emergency security, third, military build-up, fourth, space programs, their relation with each other rivals, fifth, trade and investment, last, regional ambitions.

The new and profound readjustments have taken place in the relations among the world's major countries. This will lead to a confused pattern in which while cooperating with and seeking support from each other, they are checking on and competing with each other, according to Chinese white paper issued on 2004. At present, the configuration of the world political power is largely confused between pattern of uni-polarity and multi-polarity.

Moreover, the number of regional powers with varying degrees of global reach and influence cooperate to keep the globalizing world economic stable. Similarly, the same regional powers are competing for strategic advantage on the margins of the respective regions. In spite of mistrust between India and China, it is unlikely that they will engage in confrontation.

1.2 Concept of Rapprochement

The word "Rapprochement" was taken from French word, "rapprocher". It means 'to establish cordial and friendly relations between two countries' (Oyola, Orlando, and "Rapprochement"). This concept stands for building relations on the basis of peace, harmony and respect. This term reflects that two countries have constructive relations. According to other author of this definition friendship has great signification in extending intimacy at individual and collective level. The level of this friendship is deep, comprehensive and harmonious. The underlined concept overall fits into the scheme of India and Chinese friendly and cordial relationship.

1.3 Post Rajiv Gandhi Period

The period of Rajiv Gandhi- the Indian former Prime Minister (1988) marked as turning point in Sino-Indian relations. Prior to this development, relations between two giants were marred with distrust due to clash over border issue, Tibet factor and other territorial disputes.

Greek philosopher said: “Nothing is permanent but change”. In spite of political, economic and social changes, the nation-states do not change their interests. Conflicts among nations naturally create a disharmony and enmity. But with the passage of time, these political disputes fade away. This equation fits with India and China relationship.

The Chinese premier Li Peng invited his counterpart Rajiv Gandhi- the Indian Prime Minister. The Chinese began peace overtures towards her former rival, India. It was the month of Dec 19, 1988, in which Gandhi visited China. This historic brief sojourn by Indian Prime Minister to China was the turning point in their relations on many accounts. First, this meeting took place after 34 years; secondly it resulted in the new era of friendship and amity. The Chinese delegation was led by Prime Minister Li-Pheng, President Yan Shangkun, and Chairman of China’s Central Military Commission (CMC), Deng Xiaoping. “They hold discussions on multiple problems and issues of mutual interest and concern (<http://www.fmprc.gov.cn>). They assessed and appreciated the various steps taken by both states with regard to trade, security, technology, and culture. The guiding principle behind their strengthening ties has been Five Principles of Peaceful Co-existence.

This policy of peaceful coexistence was coined by Chinese Premier Zhou Enlai. He carried forward this policy while interacting with his Indian counterparts. These meetings range from 1953 to 1954. On 1954, the meeting was arranged for Zhou Enlai and J.L Nehru. In this meeting, an important document was exchanged. This precious document became their “guiding principle for regional and global relations” (Houston China Consulate,2004). The golden principles, on which Sino-Indian relations revolve around, are enunciated as under: a) “mutual sovereignty, integrity and respect, b) non-aggression, c) non-interference, d) equal and mutual benefit, e) peaceful coexistence (<http://www.factbook.org>).

The relations between two neighbors are moving ahead since 1988. From 1988 up to 1990, the world has witnessed converging and cooperative partnership between two emerging economies: China and India, in all spheres of life. For instance: culture, social, political, economic and security. However, the change of mindset in India as well as China has been due to three obvious factors: a) the Chinese had perceived that strengthening relations between India and Soviet Union were at the cost of India-China relations, b) Tibet issue had attracted the attention of the

Chinese leadership. Since, majority of Tibetan were living in India. This development was great concern to China, c) it was very important for China to foil Soviet designs in the Asia Pacific.

On the one hand, 'India thought it wise to continue and reiterate its desire to work for removing irritants. This step, they believed would tackle mutual problems in a climate of mutual trust, respect and dignity. Moreover, it stressed on the resolution of the Boundary question. This would usher in restoration of confidence and full normalization of relations. On the other hand, China maintained that Boundary question was a complex one. This was bequeathed by colonial history. In connection to this, efforts are needed to improve bilateral relations while seeking a common ground and reserving differences (Mishra, Keshav, 2004).

The frequent exchange of visits forged bilateral relationships between India and China. During these visits and negotiations many agreements were brought about. The landmark four nation South Asia tour on the part of Chinese premier was seen as a great policy shift of Chinese thinking and approach towards regional issues.

Dr. Subhash Kapila, an Indian scholar and analyst on India-China relations, has quoted Mira Sinha Bhattacharjea. She is also a distinguished scholar. She has beautifully portrayed Sino-Indian relations in 1954. She said: "The period of 1954, witnessed a historic meeting between Indian leader (Nehru) and Chinese leader (Zhou). It brought both big nations on the same page and marked a history of friendship and peace. Both parties mutually agreed to enrich exchanges that date back to 3000 years into the past. This event provided a launching pad and great stimulus to understand each other" (Subhash Kapla, 2003).

1.4 Overtures for Peace at Borders

Although analysts of both China and India make tall claims about their peace process, friendly gestures, and cordial relations, yet their friendship has not matured at full-fledged level. Given the complex nature of two political and ideologically different nations, they have not yet resolved even a Border problem. The increasing US-Indian ties and latter's political asylum to Dalai Lama- the spiritual leader of Tibet, has created trust deficit in Chinese leadership. However, with the evolving geo-politics and geo-economic landscape in the post cold war,

both sides have realized that conflict and disputes doesn't help development of economies. Therefore, keeping in view this change of mindset they started negotiations in order to solve Border problem. "In 1994, talks were held at higher level. These talks focused on Confidence Building Measures (CBMS) and a need was underlined to clarify what was called as 'Actual Line of Control'. Both set a staple for reducing armed forces beside the line and information be given before conduct of military exercises" (Sidhu, et al, 2003).

The changing political economic and security situation in the region also compelled both parties to avoid conflict. Leadership on both sides realizing the gravity of problems frequently visited to each other. This exchange of visits provided a mechanism for both states to forge a relationship that should be based on trust, amity and friendship. The Indian analysts like: Vinod C. Khanna and C.V Ranganathan have delineated upon the various protocols and agreements signed between China and India over Border issue. Some of those protocols were published in Islamabad Policy Research Institute (IPRI) on July 2003, volume V, Number 7. Those protocols were: "that both sides will resolve their political differences through consultation and peaceful means, b) each side will keep its minimum level of forces along the border side, c) all problems will be solved through Confidence Building Measures, d) both sides agreed to take sufficient steps so that there is no infiltration at the border (Khanna C. Vindo, et al, 2000).

There is no doubt in saying me so that the two Asian rising powers are now on the path of rapprochement. This is very important development and key to not only Asian region but also the entire world. It is said that the golden rules of conduct set by India and China was Five Principles of Peaceful Co-existence. Due to this peaceful policy of coexistence, there has been no major clash between two powers. The landmark visit of Chinese leader- Wen Jia Bao to India in 2005 opened up vistas for peace and development. According to M.K Narayanan-India's National Security Adviser: "the three- tiered border deal was characterized as the most important document" and in the words of Chinese vice Foreign Minister Dai Bingguo: "for the first time we see a commonality on both sides to find a solution". Over all Wen Jia Bao's visit put the foundation stone of Strategic partnership, mutual and broad understanding, trust, peace and development in the region.

1.4 A Great Leap Forward in Trade and Economics

In the age of trade and economic liberalization, sustainable and unhindered economic growth is crucial for the peace and development in South Asian region. In the context of India and China trade relations, both possess great potential in terms of job market, manpower and huge investment. The development and peace in the region largely depends on how these powers interact with each other. The high official visits and frequent exchanges between Indian and China have ushered in harmony, peace and development in the region.

It is said that from December 1988 to 1999, more than six rounds of talks were held. The outcome of these talks was establishment of Joint Working Group (J.W.G), Confidence Building Measures, mutual troop withdrawal and regular meetings at local level. Moreover, "Opening of consulates in each other countries and resumption of trade through border in 1992 were clear signs of their quiet improving relations" (Lynn Hui Goh Gillian, 2005).

"The Open Door policy of China (1978) for decades transformed and radicalized the economy of China and India. The matter of fact is that their economies have crossed multiple challenges and patchy waters. Before this watershed in economic transformation, they were somehow ignored by the rest of the world. Their people were living under the shanty and impoverished conditions because the people were not given adequate incentives so that they could pass better life (Meredith, Robyn, 2009). While analyzing the sustainable economic growth of China, India also jumped to improve its economy. They took various steps in this context. The fault lines prevail with Indian leadership. India concentrated more on its defense than on economic development. It is interesting to note that India has vast potential. It is obvious to say that it has huge population, middle class, big democracy, big market, and secular nature. These factors attract the major powers to invest in this country. While on four nation tour, Wen Jiabao had clearly expressed his keen interest in India's technological hub. And this technological hub is Indian Silicon Valley at Bangalore.

Indian miraculous achievements in software and Chinese fast development in hardware has vast opportunities for both regional players to invest in each other's country. If India and China exchange their expertise in such technologies then it would be termed as Asian century in terms of technology. Efforts are underway to

bridge the gulf that was created in the past. Besides this a coordination mechanism has been carved out. It is important to note here that it is quite necessary to put territorial disputes at back burner before expecting a major breakthrough in talks. It is said that if India and China make a frequent cooperation on Information Technology, then they are expected to lead the world (India vs. China Economy compared, 2011). According to a study organized by US National Intelligence Council, in December 2007: “In geopolitical terms, the aftermath of a rapprochement between the world’s two most populous countries could be profound. Similarly, commentators refer to the 1900s as the century of America; the early 21st century may be seen as the time when some in the developing world, led by India and China, come into their own.”

Table: 01

Facts	India	China
GDP	around \$1.3123 trillion	around 4909.28 billion
GDP growth	8.90%	9.60%
Per capital GDP	\$1124	\$7,518
Inflation	7.48 %	5.1%
Labor Force	467 million	813.5 million
Unemployment	9.4 %	4.20 %
Fiscal Deficit	5.5%	21.5%
Foreign Direct Investment	\$12.40	\$9.7 billion
Gold Reserves	15%	11%
Foreign Exchange Reserves	\$2.41 billion	\$2.65 trillion
World Prosperity Index	88Th Position	58th Position

Source: India vs. China Economy compared. 2011. Retrieved on: 2012.
<http://business.mapsofindia.com/india-economy/india-vs-china.html>

The above figures show that from Gross Domestic product to world prosperity index there is a big difference in trade, investment, inflation, unemployment labor etc. these trade and economic differences doesn't hold an olive branch for the future of two populous countries. “After China began its transformation, hundreds of millions of Chinese had seen their prospects dramatically improve as the Chinese economy took off. Foreign companies had poured more than \$600 billion into China since 1978. The average Chinese worker earned nearly five times more

than before the reforms began.....India, by contrast, seemed stranded in the past. Its airports were decades old and crumbling. There were no new expressways. The poor in India's cities lived in slums, bathing and washing served as toilets. India had grudgingly began allowing foreign investment in 1991, thirteen years after china opened its economy and then followed up with on-again and off-again economic reforms" (Meredith Robin P.12-13).

"True, the average Indian was better off than before economic reforms began, but not nearly as much as the average Chinese "twenty five years after China launched its reforms, the contrast was vast. Chinese incomes had grown twice the level of Indian wages. Both were still poor nations, but by 2003, 87% of Chinese were above the desperation dollar-a-day poverty line as compared with just 69% of the Indians. Foreign companies invested just \$ 7.5 billion in India in the Fiscal year ending in March-2006; they invested the same amount in China every six weeks. India's economy was lumbering along, while China was flying into the future" (Malik Tanveer, 2010).

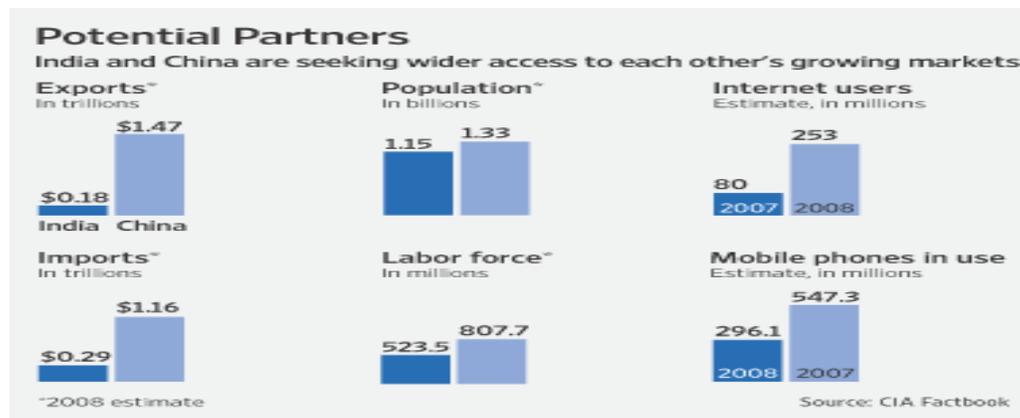
It is crystal clear from above figures that China and India are considered the fastest growing economies on the earth. It has taken them decades to bring their economies on the right track the way with which both the economic powers are improving their economies, would soon become economic giants. "Perhaps the most overwhelming changes are being felt in the newly global job market. As recently as the 1990s, activists worried that globalization would hurt the poor. They have been proven wrong resoundingly when it comes to India and China. The developed nations like the US, UK, Japan are facing big job losses, while developing countries are winning jobs. Due to the globalization nation-states have begun the process of reforming their economies. They know that in this Age of fast communication, unless they improve their economies how can they compete with advanced economies. Information access, technological exchanges, trade and investment through internet has become faster and easier than before.

In connection to this LPG Model "Liberalization, Privatization and Globalization" (Chandrase karam Bal Krishnan, (Year), were introduced for Indian economic reforms of 1990's. And due to these reforms, Indian economy improved. It developed in a sense that since 1947 the Indian economy was preoccupied with multiple challenges due to its isolation. However, after the end of Cold War and disintegration of USSR, the geo-politics of the region got changed, and this

transformation also affected economies of the developing countries. It is said that improved productivity, higher living standards are said to be what we are reaping out of globalization.

Moreover, globalization not only has benefited developing economies but also brought new challenges. In spite of economic growth and development, rising phenomenon of poverty, inflation, crime, diseases, inequality are still daunting challenges for the Indian leadership. Globalization has resulted in the interdependence and it has kicked off fierce competition in the global market. Dr Henry Kissinger also believes that the advancement in communication and technology has paved the way for and opened up new opportunities in trade and investment. Moreover, he said that this wave of change has affected radically the nature of international economic dynamics.

Fig: 02



Source: *CIA Fact Book, 2008.*

The above chart clearly delineates that India as well as China are trying to have access to each other markets. It also indicates that there has been wide gap in export as well imports to each other. Moreover, it reflects over export and import of products, goods and ultimate users in both of the populous countries. This report was prepared by CIA Fact Book in 2008.

China has re-invigorated its support for leading state owned enterprises in sectors. It considered these steps key to the economic security and explicitly looking to foster globally competitive national champions. Conversely, India is developing into an open market economy. Economic liberalization begun in the early 1990s.

It has served to accelerate the country's growth. This has averaged more than 7% per year since 1997. India's diverse economy encompasses traditional village forming, modern agriculture forming, handicrafts and modern technology.

The genesis of India and China bilateral relations dates back to 1980s. The trade driven approach and dialogue process between two countries have been quite helpful in identifying common interest. They both took extra mile efforts to help develop their relations. The year 1984 witnessed trade agreements. This trade agreement culminated into Most Favored Nations (MFN) status to India. Moreover, in 1992 both states involved themselves in a full scale bilateral trade. Again the year 1990 saw a new era in the economic development of the two countries. In the same year another agreement was signed that was Double Taxation Avoidance Agreement (DTAA).

“The efforts were also taken to become a dialogue partners in the Association of the South East Asian Nations (ASEAN). In 2003, an agreement (Bangkok Agreement), included trade preferences to each other country. The bilateral trade is expected to reach 20-billion US dollars by the year 2008. The projected figure for 2010 is 30-billion US dollars” (Op.cit, Meredith, p. 159-60). In spite of these developments, Indian-China trade and economics is not devoid of challenges. Challenges are as under: lack of domestic saving, corruption, burgeoning poverty, rising pollution, economic crisis un-employment lack of socio-economic infrastructure, lack of higher education, growing population and, demographic changes.

To address these challenges, both India and China have to work harder for socio-economic stability, maintain sustainable economic growth. Further-more, this solution will be realized only when the leadership on both sides show their commitment and overhaul re-structuring plan for their economies.

According to former Ambassador to India Zheng Ruixiang that Sino-Indian bilateral trade was expected to touch 50-billion dollars by 2010. He further expressed that china and India enjoy great potential in economic cooperation. He added that china is advanced in Hardware and manufacturing sectors, while India is good at software and services industries.

Globally speaking, after the decades of interlude, India and china are asserting themselves their historic role and parity in the world economy. It clearly

manifests that these changes are affecting the geo-politics and geo-economics of this region. “Both countries are on the way to re-claim their rightful place in the world economy”, said Indian Prime Minister Manmohan Singh in 2006. According to Angus Madison-the distinguished economic historian: until the late 19th century, India-China remained the world’s two largest economies. “But protectionism and world war intervened. India and China shut themselves off from the world, and by 2003 they both accounted for just 20% of global economy. In 2030, India China combined will account for 28% of the world’s economic output, up from 18% in 2001.”

Conclusion

India and China’s fast economies are witnessed by the world. It was obvious that economic recession and meltdown in America could not deter Sino-Indian growing economies. This clearly indicates that economies of both the states have survived despite economic jolts in the world. What India and China should do is that they have to live up to the people’s expectations. However, trust deficit, territorial disputes, trade imbalances, and militarization will never serve the purpose of both the states. It is better in the scheme of things that both the sides should come out from old dogmas and disputes. If the leadership on both sides works with sincerity and commitment, can do wonders on multiple sides. Their peaceful co-existence respect for sovereignty, non-intervention will and can remove mistrust. Now, it depends on the current leadership how they adjust and accommodate each other sensitivities.

References:

- B.M Chengappa. (1993). “*India –China relations Issues and Implications*”. Strategic Analysis. *Volume xvi*. 1st April, 1993. P.39.
- BBC. (2007). “*Indian economic growth rate eases*”. <http://news.bbc.co.uk/2/hi/business/7120343.stm> Accessed on 26 Aug 2013
- Chandrasekaram Bal Krishnan. (2004). “*Impact of Globalization on Developing countries and India*”, <http://economics.about.com/globalization.htm>. Accessed on: May, 2010
- CIA Library Publications <http://www.cia.gov/library/publication.html>. Accessed on Jan 14, 2011
- Christopher J.Rusko and Karthika Sasikumar. (2007). “*India and China: from trade to peace*”. Asian Perspective. *Volume 31*, no4, 2007 p.123.
- Country Studies. <http://countrystudies.us/china/123.htm> Accessed on: June 13, 2010.

- *China's Independent Foreign Policy of Peace*,
lhttp://www.fmprc.gov.cn/eng/wjdt/wjzc/t24881.htm. Accessed on: April, 2, 2010
- Dali yang and Hong Zhao. (2006). “*Rise of India: China's perspective and responses*”.
- http://english.people.com.cn/200603/eng2006221-255013.html. Accessed on: April 13, 2010
- *Economist.Com*, (February, 08, 2012)
http://www.economist.com/blogs/dailychart/2011/05/indian_pakistani_and_chinese_border_disputes Accessed on: June 10, 2010
- “Five Principles for Peaceful Coexistence” <http://www.factbook.org/wikipedia.html>. Accessed on: August 5, 2010
- Houston China Consulate. (2004). “*The Five Principles of Peaceful Coexistence*”.
- Dated: 28. 06. 2004. <http://Houston.china-consulate.org.htm>. Accessed on June 9, 2010.
- Robin. P.12-13
- India vs. China Economy compared. <http://business.mapsofindia.com/india-economy/india-vs-china.html> 2011. Retrieved on: 2012
- Meredith Robin. P.12-13
- Jain. B.M India. (2004). “*China Relations Issue and Emerging Trends*”. The Round Table. *Volume 93*, no 374, April 2004, Pp. 253-57
- Khalid Mehmood. (2000). “*Rebuilding Sino-Indo relations 1999-2000: rocky path uncertain destination*”. *Regional Studies Quarterly Journal of Institute of Regional Studies*. Islamabad. *Volume xxix no1*. Winter 2000. p. 3.
- Khanna C. Vindo and Ranganathan C.V. (2000). ‘*India and China: the way ahead after Mao's India War*’. Har-Anand, 2000, New Delhi: p.185-187.
- Lynn Hui Goh Gillian. (2005). ‘*China and India: Towards Greater Cooperation and Exchange*’. The project of MUSE Scholarly Journals Online, *China International Journal*. p 263-265.
- Mona Lisa D.Tucker. (2003). “*China and India friends or foes*”. *Air and Space Power Journal*. *Volume 17*, No 2003.
- Mohan Malik. (2004). “*India and China relations Giants Stir, Cooperate and Compete*”. Asia Pacific Centre for Security Studies. Special Assessment Report 2004. *Volume, xvi no1*.
<http://www.apcss.org/Publications/SAS/AsiaBilateralRelations/India-ChinaRelationsMalik.pdf>. Accessed on: August, 2, 2010
- Ministry of Foreign Affairs. “*Indian Prime Minister Visit to China*”. The People's Republic of China. Accessible on: <http://www.fmprc.gov.cn/eng/ziliao.htm>. Accessed on June 9, 2010.
- Mishra, Keshav. (2004). *Rapprochement across the Himalayas, Emerging Indo-China relations in Post Cold War period, (1947-2003)*, Gyan Publishers, New Delhi. p.1-2

- Meredith, Robyn. (2009). *the Elephant and the Dragon the rise of India and China: what it means for all of us*. Vinod Vasishta. Viva Books. New Delhi, p. 8-9,12
- Malik, Tanveer. (2010). “*Impact of Globalization on Indian Economy: an overview.*”
- www.fibre2fashion.com/industry. Accessed on: June 17, 2010
- *New York Time*. (2010) <http://factsanddetails.com/china.php>. Accessed on: June 11, 2010
- *Nationmaster.com*. "personnel (most recent) by country". June 13, 2010
- http://www.nationmaster.com/graph/mil_per-military-personnel Accessed on: June 13, 2010
- Ogden Chris. (2010). “*India-China Relations and the future of AF-Pak*”. The Foreign Policy Centre, Progressive thinking for a global Age, May 2010, P.2.
- Op.cit, Chengapa M.Bidanda, Pp. 99-103
- Oyola, Orlando, “*Rapprochement*”. This term was presented at UNESCO competition.
- <http://www.design21sdn.com/competition>. Accessed on: June 1st, 2010
- Op.cit, Meredith, p. 159-60.
- Subhash Kapla, Dr. (2003). “*India Needs a Grand Strategy towards China*”. South Asian Analysis Group. p. 841
- Sidhu, Waheguru Pal Singh and Jin Dong Yuan. (2003). ‘*India and China: Cooperation or Conflict*’. Lynne Renner. p. 45.