



REVIEW OF LITERATURE ON THE INDIA-CHINA RELATION: A STUDY OF BORDER DISPUTE

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Abstract: India and China, both heirs to ancient civilisations, have emerged today as the two most powerful and influential Asian nations in terms of their economic capabilities and geopolitical standing. The two erstwhile adversaries have recognised the need for casting off the baggage of history and residual mistrust and have embarked on the path of building a new pragmatic partnership. However, despite the recognition that cooperation may be in their mutual interest, this will be easier said than done. Sino-Indian relations have always been complex with multilayered regional and global dimensions, which have complicated their bilateral relationship. Even as India and China have traversed a long road from being friends to adversaries to pragmatic partners, a factor which has been constant in the conduct of their affairs, is the fact that they are neighbours and geopolitical rivals who have as much to gain from each other as to fear from the other. In context of India and China, there is a common border of 2500 miles, both nations are the biggest countries of Asia and the most ancient civilizations of the world.

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Introduction:

Both China and India are two neighboring nations sharing long borders. China is a North East Asian country, and India is a South Asian country bordering with Bangladesh, Pakistan, Nepal, Bhutan and Myanmar. China shares borders with South Asia, South East Asia, North East Asia, Central Asia, West Asia and Russian Federation. Geopolitically and geostrategically it is located in a center point. According to its size of population and by GDP purchasing power parity (PPP), it has been turned into as number one country in the World. China's economy is rapidly growing, and it will emerge as a global super power within very short time. However, India is a large country in the context of both geographical size and population. It is the second largest country in world taking into account of its size of population. It is a rising economy, and it has been turned into third largest economy by GDP purchasing power parity (PPP). In this study, some important geopolitical issues of Sino-Indian relations have been discussed in the context of BRI. Friendly relations between China and India are very crucial to ensure peace, security, stability, connectivity and, of course, economic development in the entire region. The main objective of this study is to provide some policy recommendations to improve the relations between China and India. The study is based on secondary data

with some field level data which were collected through focus group discussions and observation.

REVIEW OF LITERATURE

India-China relations, also known as Indo-China relations, refer to the bilateral relationship between the People's Republic of China (PRC) and the Republic of India. Historically, the cultural and economic relation between India and China dates back to ancient times, but the modern relationship began in 1950 when India was among the first countries to end formal ties with the Republic of China (Taiwan) and recognize the PRC as the legitimate government of Mainland China (Kumar, 2017). China and India are two major countries in the global population contributing 37% to the world's population and 6.4% worth of world output and income at current prices and exchange rates (IMC- Economic Research & Training Foundation, 2017). Trade relationship between India and China began to change in the 1980s with the opening of both the economies (Virmani, 2016). Development in political and financial matter has increased the significance of India-China bilateral relationship.

Regardless of the strong economic ties, many geo-political issues have impacted the economic relations of the two countries. Bilateral trade between India and China was very little till 1990, but the trade

relationship took a paradigm shift with the start of globalization in 1990s. Particularly, China's joining of The World Trade Organisation (WTO) has totally changed the economic and trade environment of China with its trading partners. The World Trade Organization in cooperation with the governments of several countries has worked to lift trade barriers and bring about a better economic environment (Surendar & Mishra, 2014) In February 2012, it was reported that bilateral trade between India and China will reach US\$100 billion by 2015. It recorded a bilateral trade of US\$73 billion in 2011, making China the largest trade partner of India. However, it slipped down to US\$66 billion in 2012 (Prasad, 2015). The growth of bilateral trade between India and China in the last few years has paved the way in setting up Indian enterprises in China either as representative offices, wholly owned foreign enterprise (WOFE) or joint ventures with Chinese companies which are into manufacturing of pharmaceuticals, wind energy etc. To name a few, Dr. Reddy's laboratories, Infosys, Wipro, Reliance Industries etc. are some of the prominent Indian companies in China. Similarly, more than 100 Chinese companies have started its operations in India, which includes Huawei Technologies, Haier, Harbin electric, Sany Heavy Industry Ltd. etc. (Embassy of India, Beijing, 2017). Singh and Santpal (2014) in their paper "A Comparative study of India-China Bilateral trade" tries to study the changes in India's balance of trade in relation to total imports or export to China. The study concluded that the bilateral trade between these two countries was unfavourable to India. Wani and Dhani (2013) in their paper "Indo-China Trade: Intensity and Potential for Future Trade" attempts to identify how the bilateral trade between India and China helps in growing their partnership for their mutual benefit in the coming time. The trends in the growth rate of China-India trade shows a huge potential focused on their political achievements. Kumari and Malhotra (2014) in their paper "Trade-led growth In India and China: A comparative Analysis" tries to find out the impact of export-import growth on economic growth of both India and China. The study concludes that China performed better as compared to India, the reasons being the reforms speed, policy implementation and the nature of political governance. Suresh (2012) in his paper "Exchange Rate Impact on Bilateral Trade between India and China" tries to find how Chinese Renminbi (RMB) impacts India's trade with China. The findings hold that appreciation in RMB will impact India's trade, mainly with higher elasticity for imports.

Kowalski (2008) in his working paper "China and India: A Tale of Two Trade Integration Approaches" compares the key features of the trade

integration processes and the economic outcomes in China and India. It reveals that Chinese reforms regarding manufacturing trade is likely to be one of the key reasons for China's better economic performance. On the other hand, India has gone a long way in tariff reduction on non-agricultural products but due to moderate protection the manufacturing sector is likely to face hurdles. Kumari (2014) in her paper "India's foreign trade with China with special reference to agricultural commodities" tries to study mainly the changes in India's trade relation with China since the liberalisation of its trade. The study concludes that the liberalisation of trade has a positive effect on India's relation with the Chinese Government. The emergence of external sector has helped both the countries to improve their growth during the last two decades. Siddiqui and Alam (2017) in their paper attempt to find out India and China's trade pattern from 2005-2016 and also attempt to examine the proportion of Chinese electronic toys in India. The study concludes that the introduction of economic reforms and liberalisation benefitted both the countries in integrating with the world economy and attaining higher growth. Indian markets are flooded with Chinese toys, which are giving a tough competition to the domestic producer of Indian toy industry.

Dimaranan, Ianchovichina and Martin (2007) in their working paper "China, India, and the Future of the World Economy: Fierce Competition or Shared Growth?" tries to understand the implications of India and China's growth for other developing countries. Bussiere and Mehl (2008) in their working paper "China's and India's roles in Global trade and Finance: Twin titans for the New Millennium?" tries to compare some of the major aspects of China's and India's roles in international trade and finance using estimates from a gravity model to measure the overall degree of their trade intensity and the depth of their bilateral relations, and also tries to find the measures of revealed comparative advantages and economic distance. The four main findings are- First, taking into consideration the trade in goods, the overall degree of China's trade intensity is higher than fundamentals would suggest, whereas the converse is true for India. Second, Chinese export goods seem to compete with mature economies goods, while Indian exports remain more low-tech. Third, China's export of goods and services tend to complement each other, while exports of services tend to complement its exports of goods whereas, India's exports are increasing mainly in deregulated sectors such as IT-related services. And finally, India and China plays an important role in the global trade Svensson (2012) in his thesis "Sino-Indian Relations: Complex Challenges in a Complex Relationship" aims to understand the role of trade and cooperation in moving the attention away from

security-related issues to a more positive direction. The study concludes that although trade and cooperation has played a major role in stabilizing India-China relationship, it could not be accepted as the main factor preventing any security issue being raised or moving attention from security related issues to a more positive direction.

China has been able to maintain a sharp increase in its export since mid-2000s and has become world's largest exporter in 2010 and the largest trading nation in 2013 (Factbook, 2017). Speedy progress of China is evident from the information, that in 1990, it was the 14th largest exporter with export at US \$ 62 billion i.e., around 1.8 per cent of world export. Further in the recent years it has become world's seventh largest exporter with around 3.9 per cent of world exports. Correspondingly, if we look at the merchandise imports side of China, it became the second largest importer in the world in 2009 (Suresh, 2012).

India is developing into an open-market economy, yet traces of its earlier autarkic policies remain (Central Intelligence Agency, 2017). Almost half of the population of India is engaged in agriculture sector which contributes around 17.4% to GDP in 2014. However, service sector contributes the major part of GDP which is around 57.9%, while the industrial sector contributes 24.2% to GDP (Statistics Times, 2017). India's GDP averaged nearly 7% annually from 1997 to 2016 after undertaking Economic liberalization measures in early 1990s which included industrial deregulation, privatization of state-owned enterprises, and reduction in controls on foreign trade and investment. However, the growth rate slowed in 2011 as a result of high inflation, high interest rates and scepticism of investors about the government's economic reforms. Eventually, this macroeconomic imbalance resulted into a sharp depreciation of the rupee (Central Intelligence Agency, 2017).

Many political scientists have studied various aspects of India's foreign policy with respect to the changing world order. Numerous ISSN journals and ISBN books were studied and their main findings are reviewed in the following way:

The book enlists the formation and the functions of United Nations. Specifically the chapter 'Politics and Economics of the Emerging New World Order' throws light on the influence of the United States on United Nations and its decision making process post cold war era, though the new world order has produced commitments for the US which over stretches America's own military and economic capabilities Rumki Basu (2004).

The historical study of the Indian Sub-continent in the book reveals the initial shaping of India's Foreign

policy during the period of independence. It focuses on the incidences that took place during those period which informally took shape of India's foreign policy. It establishes Pandit Jawaharlal Nehru to be the head of India's foreign policy and how his decisions regarding the Common-Wealth and non-align movement played a crucial role in projecting India as the leader of third world countries Peter Cahocoressi (2006).

Several studies have been undertaken using the concept of revealed comparative advantage. A majority of these studies use data on export shares. Balassa (1977) has undertaken an analysis of the pattern of comparative advantage of industrial countries for the period 1953 to 1971. The evidence provided in the paper supports the available evidence on trade in research intensive products, indicating the continuous renewal of the product cycle, with the US maintaining its ever increasing technological lead. Based on the standard deviation of the RCA indices for different countries an association is also seen to hold between size and diversification of exports. Balassa's results show that while the extent of export diversification tends to increase with the degree of technological development a reversal takes place at higher levels. Yeats (1997) studies the possible distortions in trade patterns on account of discriminatory trade barriers that are characteristic of the RTAs. He uses the index of revealed comparative advantage in conjunction with the changes in the regional orientation of exports to identify any apparent inefficiencies in trade patterns for the Mercusor group of countries. Richardson and Zhang (1999) have used the Balassa index of RCA for the U.S to analyze the patterns of variation across time, sectors and regions. They find the patterns to differ across different parts of the world, over time as also for different levels of aggregation of the export data. Differentials are accounted for by factors like geographical proximity of trading partners and per capita income with the extent of influence of these factors varying over time and across sectors/sub sectors. Yue (2001) uses the RCA index to demonstrate the fact that China has changed its export pattern to coincide with its comparative advantage and that there are distinct differences in export patterns between the coastal regions and the interiors in China. Bender and Li (2002) examine the structural performance and shift of exports and revealed comparative advantage of the East Asian and Latin American regions over the period 1981-1997. It examines, if there is a relation between changes in export pattern among different regions and shifts in comparative advantage between regions. The Vollrath (1991) index that accounts for double counting in world trade has been used for analysis. Ferti and Hubbard (2002) assess the competitiveness

of Hungarian agriculture vis-à-vis EU using four indices of 4 revealed comparative advantage. The four indices are -original Balassa index, relative trade advantage, relative export advantage, logarithm of the relative export advantage (original Balassa index) and relative competitiveness (difference of the log values of relative export and import advantage). A categorization of indices as cardinal (identifies the extent to which a country has comparative advantage/disadvantage), ordinal (provides a ranking of products by degree of comparative advantage), and dichotomous (a binary type demarcation of products based on comparative advantage/disadvantage) has been undertaken in their study. The results show that the indices were less cardinal in identifying whether Hungary has a comparative advantage in a particular product group, but were useful as a binary measure of comparative advantage. Leu's paper examines the systematic shift of comparative advantage in East Asian economies by computing and comparing revealed comparative advantage indices for ten selected East Asian economies in the U.S market. The results show that conventional wisdom of shifting comparative advantage in accordance with the level of development continues to hold true.

The dynamics of Chinese comparative advantage has been analyzed in several studies. Prominent among these is the Hinloopen and Marrewijk (2004) study. The study uses the Balassa index with some innovations to identify the dynamics. The pattern of China's revealed comparative advantage and its implications in terms of competition for other exporting countries has been analyzed using the methodology of market share changes. Weiss (2004), Lall and Albaladejo (2003) and Lall and Weiss (2004) analyze the aspect of threat/ opportunity in the context of China's economic relations with South East and East Asia. Lall and Weiss focus on the competitive threat to the Latin American economies.

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