

## Breaking Old Barriers: Sino-Indian Relations Making Headway

*With the focus now firmly on development, India-China relations is shifting to one of cooperation from that of conflict, driven by increasing economic dependency on each other. Many avenues for mutual benefits through collaboration await the fast growing Asian giants.*

India and China, the two neighbouring resurgent giants of Asia have had a troubled relationship in the past, but share similar challenges/opportunities to/for economic development in the future. Sino-Indian relations have seen many ups and downs as both nations have been competing with each other in the economic domain and for geopolitical leadership. But the contour of this relationship is undergoing a gradual change towards cooperation for mutual benefit, driven by increasing economic dependency on each other.

In recent times, India-China ties have been marked and shaped by a rapid increase in bilateral trade. Trade between these two fast growing economies has increased at around 50 percent annually in the last five years to reach US\$51.8bn in 2009. This figure is all set to cross the US\$60bn mark in 2010 – exactly double the target set by the Prime Ministers of these two countries during Chinese Premier Wen Jiabao's visit to India in 2005. China became India's largest trading partner in 2008, while India emerged as the 7th largest export market for China in the same year.

Against this background, foreign policy choices are increasingly motivated by the need for both sides to concentrate on economic development rather than the urge for assertion of political dominance. A series of official visits by the Heads of State starting from the turn of the century has marked a re-engagement of Indian and Chinese diplomacy. Economic affairs were at the forefront during these visits and one of the outcomes highly symbolic of their accomplishments is the re-opening of the ancient trade route of *Nathula* in 2006, after 44 years. An indication of the direction towards which bilateral ties are gravitating is best illustrated by an allegory made by the Chinese Premier Wen Jiabao during his visit to the IT hub of Bangalore in 2005, where he compared the association between Indian and Chinese economies to that between software and hardware.

The most promising feature of this evolution of Sino-Indian relations is the realisation on both sides that even in potential areas of rivalry, complementary policy measures could be resorted to for mutual benefit. This is well illustrated by the intense competition between two energy deficient nations to secure global energy sources for feeding ever increasing domestic demands. Public corporations from both countries have received purposeful government support for competitive bidding for oilfield investment in Africa, the Middle East and Central Asia. However, in January 2006, at a Ministerial level meeting held in Beijing, an agreement was signed for facilitating placement of joint bids for such projects by the Oil and Natural Gas Corporation (ONGC) of India and the China National Petroleum Corporation (CNPC).

Ever since China joined the WTO, her plans in regard to economic development and market reforms have been more transparent, thus helping to diminish India's mistrust. The predominantly 'north versus south' nature of trade debates at the multilateral level has presented many opportunities for both countries to work together as co members of developing country groupings. Though chances of a formal free trade agreement in the immediate future are remote, the enthusiasm on both sides to enhance trade relations is indicated by the receptiveness of industry representatives to Indian President Pratibha Patil's visit to Shanghai in May 2010 to preside over a joint business summit.

Lately, intermittent border disputes and related noise in the political discourses between the two nations have only attracted momentary attention. Such controversies are expected to pale into insignificance as economic cooperation gains greater momentum. Already established forums such as *India and China Economic and Cultural Council* (ICEC) can provide the necessary platform for such initiatives.

This article is part of a series of one pagers recently launched by CUTS with the objective of generating economic literacy and enhancing awareness about key socio-economic issues relating to the Indian as well as global economy.

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