

# CHINA-INDIA DIALOGUE

India: Where  
Does the National  
Profit Flow to?

India as the Next  
Global Manu-  
facturing Center

Issue 5 | 2016



ISSN 2096-2614



国内零售价: 10 元 / India ₹ 100

[www.chinaindiadialogue.com](http://www.chinaindiadialogue.com)

# Partner India

## Subscribe to the Future



Confederation of Indian Industry

[www.cii.in](http://www.cii.in)

## CONTENTS

### HEADLINES

News  
Keynote

02  
06

### OPENING ESSAY

The Dragon and the Elephant:  
The Past and Future of China-India  
Relations

### COMMENT

Chindia@G20: Seeking Reforms through Innovation / p.10

Goa in October:

Good Ground for a New Beginning / p.14

### STRATEGY

China-India Relations

16

### CHANGED AND UNCHANGED



Modi's Reform and China-India Cooperation / p.22

### TREND

Chinese Enterprises in India  
and Their Impact / p.26

India as the Next Global  
Manufacturing Center  
Prospects & Problems / p.49

India-China Tourism

Civilizational Ties in a Modern  
Avatar / p.30

### DATA

Chinese in the Eyes of Indians  
and Indians in the Eyes of  
Chinese / p.54

### CASE STUDY

China-India Maritime Relations  
in the Asian Century / p.34

### YOUNG VOICES

Ways of Seeing Each Other / p.60

India: Where Does the National  
Profit Flow to? / p.39

### COLUMN

Chinese Museums - In Pursuit of  
Preserving the Culture / p.62

### DISCUSSION

Make in India vs. Made in  
China / p.44

### BOOKS

An Uncertain Glory / p.64

### CHINA-INDIA DIALOGUE

**ADMINISTRATIVE AGENCY:** 主管:  
China International Publishing Group 中国外文出版发行事业局  
(中国国际出版集团)

**PUBLISHER:** 主办:  
China Pictorial 人民画报社

**ADDRESS:** 地址:  
33 Chegongzhuang Xilu, 北京市海淀区  
Haidian, Beijing 100048, China 车公庄西路33号

**EMAIL:**  
contact@chinaindiadialogue.com

**PRESIDENT:** Yu Tao 社长: 于涛

**EDITORIAL BOARD:** 编委会:

Yu Tao, Li Xia, 于涛、李霞、

He Peng, Wang Lei 贺鹏、王磊

**EXECUTIVE EDITOR-IN-CHIEF:** Li Xia 执行总编: 李霞

**EDITORIAL DIRECTORS:** 编辑部主任:

Wen Zhihong, Qiao Zhenqi 温志宏、乔振祺

**ENGLISH EDITOR:** 英文定稿:

Xu Mingqiang, Liu Haile 徐明强、刘海乐

**SENIOR CONSULTANT & EDITOR:** 高级编辑、顾问:

Shastri Ramchandaran 夏斯特里·拉马昌达兰

**EDITORS AND TRANSLATORS:** 编辑、翻译:

Gong Haiying, Hu Zhoumeng, 龚海莹、胡周萌、

Liu Haile, Li Zhuoxi, 刘海乐、李卓希、

Li Yiqi, Wang Dongmei, 李艺琦、王冬梅、

Wang Shuya, Xu Shuyuan, 王舒雅、许舒园、

Yin Xing, Zhang Xue, 殷星、张雪、

Zhao Yue, Zhou Xin 赵月、周昕

**EDITOR-VISUALS & PHOTOGRAPHS:** 视觉总监、首席摄影师:

Laurent Hou 罗鸿

**DESIGNED BY:** Alinea Productions 设计: Alinea Productions

**SOCIAL MEDIA CONSULTANT AND** 多媒体传播平台

**MARKETING SPECIALIST:** 专职顾问:

Cecile Zehnacker 塞西尔·泽纳凯

**REMITTANCE TO:** Publishing and 邮购收款人:

Distribution Department, China 人民画报社出版发行部

Pictorial

**LEGAL ADVISER:** Yue Cheng 法律顾问: 岳成

**PRINTING:** 印刷:

Toppan Leefung Changcheng 北京利丰雅高长城

Printing (Beijing) Co., Ltd. 印刷有限公司

### OVERSEAS DISTRIBUTION:

China International Book Trading Corporation

(Guoji Shudian),

35 Chegongzhuang Xilu,

P.O. Box 399, Beijing 100048, China

In China, subscriptions are available  
at any post office.  
Subscription and distribution agency in Hong Kong,  
Macao, and Taiwan:  
Hong Kong Peace Book Company, Ltd.  
17/F., Paramount Building, 12 Ka Yip Street,  
Chai Wan, Hong Kong

### CHINA STANDARD PERIODICAL NUMBER:

CN10-1433/D

Published in October 2016

## CHINA-INDIA DIALOGUE

Issue 5 | 2016

Visit *China-India Dialogue* on the Internet:  
[www.chinaindiadialogue.com](http://www.chinaindiadialogue.com)  
Follow us on:



### CONSULTANTS OF THE CHINA-INDIA DIALOGUE ADVISORY BOARD

**Alka Acharya** Professor and director of the  
Institute of Chinese Studies, Delhi

**Hu Shisheng** Director of the Institute of South  
and Southeast Asian and Oceanian Studies  
under China Institutes of Contemporary  
International Relations

**Li Daokui** Economics professor and director of  
the Center for China in the World Economy at  
Tsinghua University

**Lin Minwang** Associate professor at China  
Foreign Affairs University

**Ma Weigong** Consultant of the National  
Institute of Strategic Communication at Peking  
University and former deputy editor-in-chief of  
China Radio International

**Sun Shihai** Director of the Chinese Association  
for South Asian Studies and former deputy  
director of the National Institute of International

Strategy under the Chinese Academy of Social  
Sciences

**Sun Yuxi** Former Special Envoy of the Chinese  
Foreign Ministry on Afghan Affairs and former  
Chinese ambassador to India

**Yang Yifeng** Director of India Broadcast of  
South Asia Center, China Radio International

**Zhang Wenmu** Professor of the Center for  
Strategic Studies at Beihang University



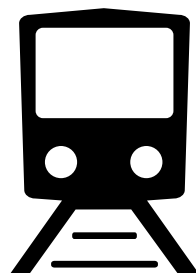
## China and India: hold financial and economic dialogue

China and India on August 19 held their 8th high-level Financial and Economic Dialogue ahead of the G20 summits to strengthen trade and economic cooperation, with the two fast-developing nations underlining the need for building more solidarity to adopt more responsible macroeconomic policies.



## CRRC launches Indian joint venture

Chinese rolling stock and components conglomerate CRRC Corp. has opened its first joint venture manufacturing plant in India, representing a total investment of US\$63.4 million, the group announced on August 20, 2016. CRRC said it was the first foreign company to set up a rail vehicle assembly plant in India since Prime Minister Narendra Modi launched his “Make in India” campaign in 2014. The Bavo facility is also CRRC’s first factory in South Asia.



## China’s Fosun to buy India’s Gland Pharma

A unit of China’s Fosun Group has agreed to buy a controlling stake in Indian pharmaceutical company Gland Pharma Ltd. from shareholders including KKR & Co. for up to US\$1.26 billion. Shanghai Fosun Pharmaceutical (Group) Co. Ltd. is buying roughly 86 percent stake in Gland Pharma, including all shares owned by KKR in addition to shares from other shareholders. The deal is China’s largest takeover of a company in India.



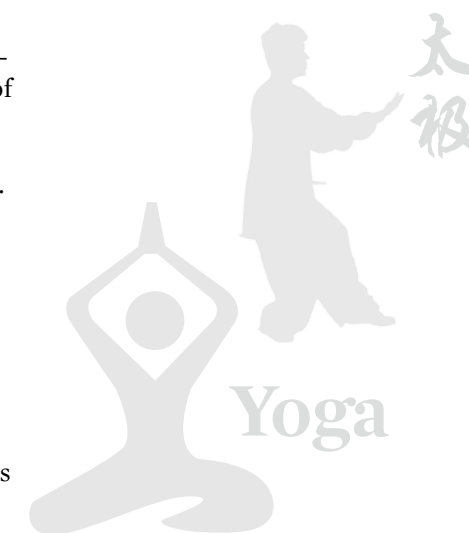
## India’s Hike app gets key Chinese partner



Indian messenger app Hike has won fresh money from investors and a key partner from China. The latest investment round now sees the company valued at US\$1.4 billion. Tencent and Foxconn were the biggest investors in the latest cash injection.

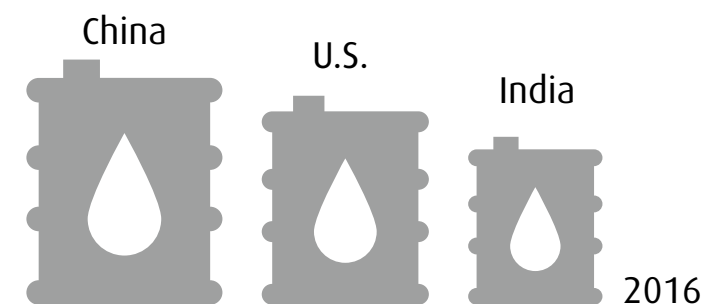
## “Tai Chi & Yoga” tourism promotion held in New Delhi

To implement the 2016 “Visit China Year” program in India and strengthen local tourism exchange and cooperation between China and India, Kou Wujiang, head of Henan Administration of Tourism, led a delegation to India from June 30 to July 2 and hosted the “Tai Chi & Yoga” tourism promotion event at New Delhi on July 1. The event attracted nearly 100 participants, including Li Bijian, Chinese Minister-Counsellor to India, Shri Jyoti Kalash, Resident Commissioner of Nagaland House in Delhi, Mr. Rajan Sehgal, North President of IGTA (India Golf Tourism Association) and TAAI (Travel Agents Association of India), Arvind Alok, chairman of the Buddhist Monuments Development Council, and delegates from the Indian Ministry of External Affairs, Ministry of Tourism, business insiders and journalists.



## Oil demand rises in China and India

Data released by BP Statistical Review of World Energy 2016 showed India as the world’s third largest oil consumer in 2015 after China and the U.S. “By 2040, China and India could double their share again to a third,” said Owain Johnson, managing director of Dubai Mercantile Exchange (DME).

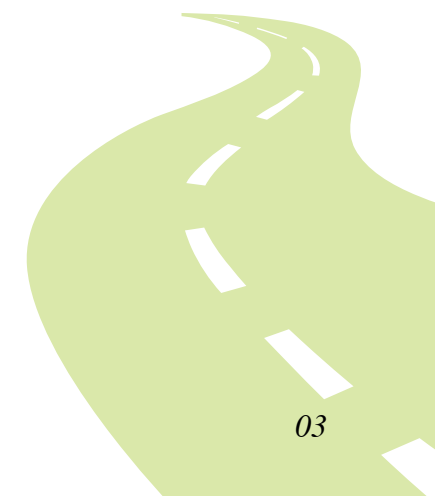


## China and India top Asia’s 2016 Heroes of Philanthropy

Forbes Asia today announced its annual Heroes of Philanthropy list, highlighting some of the region’s noteworthy givers. It honors 40 philanthropists from 13 countries across Asia Pacific. Honorees include China’s Pony Ma, Wang Jianlin, Lui Che Woo, Yeung Kin-man and Terry Gou. Five Indians have made it to the list, including Vineet and Anupama Nayar, Adar Poonawalla, Amit Chandra and his wife Archana Chandra.

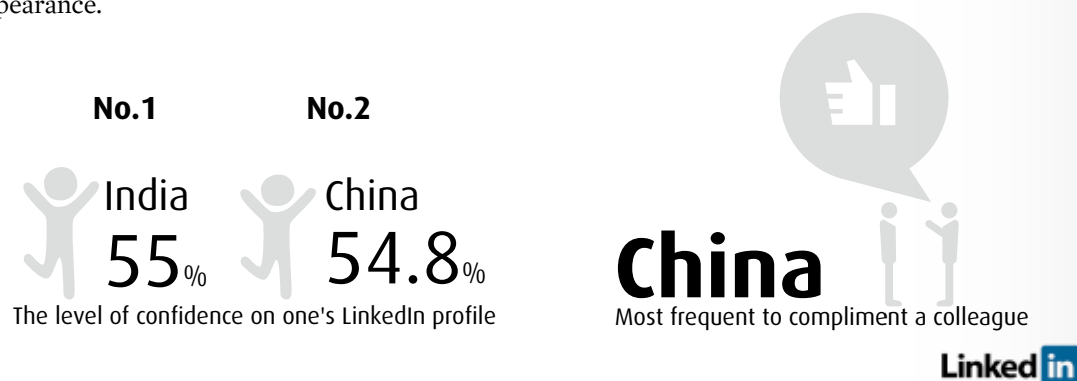
## China and India identified as key transport markets

The transport sector is looking to Asia Pacific as the key market for investment over the next five years, according to the seventh *The Way Ahead Transport Survey* from global law firm, Norton Rose Fulbright. China and India are the most popular jurisdictions for investment, followed by the U.S., with growth through consolidation viewed as the best investment opportunity currently.



## LinkedIn survey shows Indian and Chinese professionals most confident globally

According to the survey Your Story @work conducted by popular career-oriented platform LinkedIn, Indians have the highest confidence level of 55 percent in the world. China takes up second place with a confidence rate of 54.8 percent. When it comes to praising colleagues at workplaces, Chinese rank the highest in the world. The report pointed out that this is closely related to the rapid development of India in recent years. The increasing impact of China in political and economic areas and the rising competitiveness of Chinese enterprises in the global market seem to give workers a brand new appearance.



“ When China’s enterprises invest and develop in India, they need to consider an important factor: India’s system and development of mechanism, such as the country’s mature system of legislation and young age of its working group. ”

Kamlesh Bhadani

CEO of Chengdu Small and Medium Enterprises Investment Group in India

“ As India rises, the advantages for China outweigh the disadvantages. The average age of Indians is about 10 years younger than Chinese, which means India’s domestic infrastructure and huge consumer market will provide an ideal place for Chinese enterprises to enter the international market. Supporting the rise of India will at the same time increase the sustainability of the development of China. ”

Wang Wen

Acting director of Renmin University of China’s Chongyang Institute for Financial Studies

“ If the Indian economy begins to rise, then its development mode will be very similar to China’s economic rise after the reform and opening up, which requires making full use of the advantage of low labor costs, and of export-oriented industrialization. ”

Feng Ming

Researcher at the National Academy of Economic Strategy under the Chinese Academy of Social Sciences

# eWTP

## Electronic World Trade Platform

世界电子商务贸易平台

[Shi Jie Dian Zi Shang Wu Mao Yi Ping Tai]

Edited by Li Zhuoxi

Recently, B20 (Business 20, summit of business leaders from the G20 countries) has released the *B20 2016 Policy Recommendations to the G20*, among which is the suggestion for the G20 to “encourage dialogue on cross border e-commerce between private business and governments by building the eWTP (Electronic World Trade Platform)”. The objective is to promote the development of cross border e-commerce. Besides, it also suggests specific measures to facilitate dialogues between private sector and governments, incubate cross-border e-commerce, and create policy and business environment of high efficiency.

As the chair of SME Development Taskforce, Jack Ma, chairman of Alibaba Group, was the first to propose building eWTP to encourage dialogues on cross border e-commerce between private business and governments, which was a significant part in the *B20 2016 Policy Recommendations to the G20*.

Jack Ma has been advocating the eWTP since the Boao Forum for Asia this March. It can streamline present global trade rules and promote development of cross border e-commerce, so that customers around the world are able to buy and sell things easily. The idea of eWTP is under the

backdrop of prosperous global cross-border e-commerce, which, due to its boundless potential, not only attracts more and more countries, but also helps driving the domestic economy.

Global trade growth in recent years has been sluggish. The growth rate of global trade, which used to be higher than that of economic growth, has been lower than the latter for the last five years.

According to the *Global cross-border B2C e-CommerceMarket 2020* released jointly by Alibaba Group and Accenture PLC, the market size of global cross-border B2C e-commerce market, which was US\$230 billion in 2014, will increase to US\$994 billion by 2020, 29.3 percent of the size of global B2C e-commerce market and 13.9 percent of global consumer goods trade volume. The compound annual growth rate of cross-border e-commerce market share is expected to reach 27.3 percent by 2020, which means that the growth of cross border e-commerce will double the growth of domestic e-commerce market and more than triple the growth of global consumer goods trade market.

Cross border e-commerce lowers the threshold for enterprises’ participation in international trade. Especially it has become a channel for small

and medium-sized enterprises to participate in global trade and facilitates their integration in the global value chain. In China, cross border e-commerce has become a new channel for supply-side structural reform.

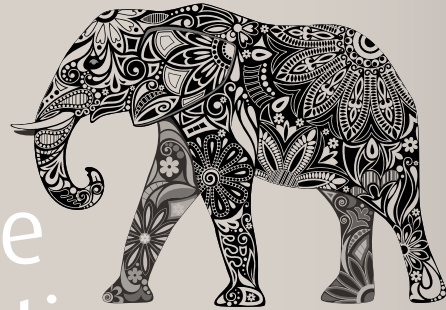
According to a recent report released by China E-commerce Research Center, cross-border e-commerce has become an important platform and bond for the Belt and Road Initiative. It guides development of trade and investment by offering more channels and supplies, facilitates countries to make divisions on production and cooperation, achieves resource sharing and product sharing among countries involved in the Belt and Road Initiative, and will become the door to supply-side structural reform. Experts believe that the suggestion of eWTP is rooted in China’s e-commerce enterprises’ active expansion in the global market.

eWTP, once built, will take utmost advantage of labor and brains, reduce trade barriers and cost of business transactions and circulation to the least, benefiting global customers. However, building eWTP is not easy in the current global trade environment. As the main advocate for eWTP, Jack Ma said in public lately that building eWTP needed time.



# The Dragon and the Elephant

## The Past and Future of China-India Relations



By Liu Jinsong

GEOSTRATEGIC AND ECONOMIC INTERESTS INEVITABLY COME TO MIND WHEN CONSIDERING AND HANDLING CHINA-INDIA RELATIONS. SOMETIMES WE NEED TO DRAW INSPIRATION FROM THE HISTORY OF THE SILK ROAD, SO AS TO PROMOTE MORE CULTURAL EXCHANGES BETWEEN THE TWO COUNTRIES WHILE PUTTING ASIDE ENTANGLEMENTS OVER TANGIBLE INTERESTS.

A movie jointly produced by China and India, *Xuan Zang*, which hit theaters in the first half of 2016, tells the legendary story of eminent Chinese monk Xuan Zang's arduous journey alone to India seeking Buddhist scriptures during the Tang Dynasty (618-907). The film recalls a glorious chapter in the history of Sino-Indian cultural exchange and re-ignites the public's interest in the millennia-old friendly communication between the two countries.

In June 2016, during my visit to Assam, I got to know a 29-year-old Chinese man who worked together with his Indian colleagues to maintain Asia's oldest oil well hidden in the primitive forest in a border town. At that time, he had been married for just a month. I have met many Chinese like him, who won the respect of local communities with their diligence and hospitality while helping to improve China-India relations.

A 14-year-old girl from Mumbai once wrote a letter to the Chinese ambassador to India, saying that "China and India should keep the past behind and move ahead as we

are living in a time of collaboration and not confrontation." Her words perfectly underscore the future of Sino-Indian relations.

All of these stories show that, as two neighbors bonded together for millennia, China and India are ushering in a new era of bilateral relations. Since President Xi Jinping's visit to India in 2014 and Prime Minister Narendra Modi's visit to China in 2015, particularly, the relationship has witnessed a significant turning point and entered the best period in the past half century.

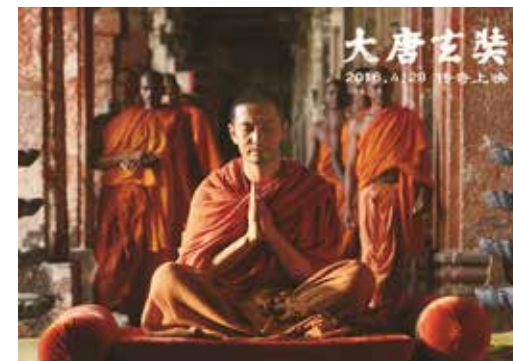
### CLOSER POLITICAL INTERACTIONS

President Xi and Prime Minister Modi entertained each other in their respective hometowns, marking a remarkable improvement of China-India relations. In the past 12 months, several Chinese leaders visited India, and India's president, vice president and minister of home affairs consecutively visited China. In September of this year, Indian Prime Minister Modi attended the G20 Summit held in China's Hangzhou, and Chinese leaders are expected to take

part in the BRICS Leaders Meeting hosted by India. Besides high-level mutual visits, substantial progress has been made in cooperation between the two countries' local governments. Mutual visits of provincial-level delegations flourished between the two countries. Increasing numbers of Chinese provinces and Indian states have established good relationship. To date, the two countries have had ten pairs of sister provinces (states) and sister cities.

As two major developing powers with many commonalities, China and India have shared political interests in some international issues. In recent years, the two countries have made significant achievements in coping with climate change together and collaborating under the BRICS framework. They have worked together to safeguard the shared interests of developing countries and promote the rise of emerging economies. With the support of China and other countries, India recently signed a memorandum of understanding over its obligations to become a member-state of the Shanghai Cooperation Organization (SCO). As some Indian friends said, at a critical period for the rise of Asia and emerging powers and the adjustment of international and regional landscapes, India and China should put aside their disputes in reality and focus on regional and global cooperation while developing their bilateral relations from broad and strategic perspectives.

The poster of *Xuan Zang*. [CFP]





Doubtless, there will be quarrels and dissensions between the two Asian neighbors, but Asians have enough wisdom and capacity to control and settle their differences through bilateral negotiations. Besides, the common interests of the two countries outweigh their differences. Despite the fact that it is impossible to settle the

## Doubtless, there will be quarrels and dissensions between the two Asian neighbors, but Asians have enough wisdom and capacity to control and settle their differences through bilateral negotiations.

border dispute in a short time, not a single shot was fired in the border areas in the past decades. Incidents on the border have been under control as measures aimed at building mutual trust have been effectively implemented. The border dispute hasn't affected the overall development of their bilateral relations. This marks a rare achievement ever in international relations and testifies to the great wisdom of the leaders and peoples of the two countries.

### GREATER ECONOMIC COOPERATION

Currently, increasing numbers of Chinese enterprises have begun setting their sights on the promising Indian market and taken part in India's ongoing national initiatives and programmes such as 'Make in India,'

'Digital India' and 'Smart City,' thereby reshaping the landscape of Sino-Indian economic cooperation.

So far, the total amount of Chinese investments in India has reached nearly US\$4 billion. In 2015 alone, China signed agreements to invest US\$40 billion in India. The rapid growth of China's direct investments in India has not

only offset India's trade deficit with China, but also created enormous amounts of jobs and tax revenues in India. To date, more than 50 Chinese manufacturing enterprises have set up plants in India. For instance, Tebian Electric Apparatus Stock Co., Ltd. (TBEA), a private enterprise in China, already built an industrial park in Gujarat, India. Chinese telecom equipment giants, Huawei and ZTE, have set up R&D bases in India. Chinese real estate developers – Wanda Group and China Fortune Land Development Co., Ltd. – propose to help India build new industrial cities. China has always regarded India as one of its major partners in promoting the Belt and Road Initiative, and hopes to join hands with India to develop the Bangladesh-China-India-

Myanmar (BCIM) Economic Corridor and integrate it with India's 'Act East' policy.

Even in the field of traditional businesses, there are opportunities for the two countries to expand and upgrade bilateral trade. For example, some traders took advantage of the trend among Chinese young white-collar workers for drinking tea and increased the export of Darjeeling and Assam black tea to China by 23 percent in the first quarter of 2016. Last year, India exported more than US\$100 million of black tea to China. Due to their good quality, affordable prices and avant-garde marketing practices, Chinese smart-phones are popular among Indian youngsters, with sales almost equal to that of Apple's iPhone. In addition, trade via e-commerce platforms has thrived between the two countries, evidenced by the cooperation between China's e-commerce giant Alibaba and India's online payment platform Paytm.

### FURTHER CULTURAL EXCHANGE

Cultural exchanges between China and India can be traced back some 2,000 years. During much of this historical period, peoples of the two countries could visit each other freely, without the need of any passport or visa. In modern times, Western colonialists fomented feelings of estrangement between the two countries. Nowadays, Chinese and Indians are trying to transcend geological and historical barriers and achieve heart-to-heart communication.

Since India began providing electronic visa for Chinese citizens in August 2015, the number of Chinese tourists to India has doubled. Mutual visits between the two countries exceeded a million for the first time. In 2015, China opened a new route along the Himalayan Nathu La Pass for Indian pilgrims traveling to Tibet, which is safer and more comfortable and convenient.

Yoga, Indian food, and Bollywood films and dances are becoming more popular in China. Meanwhile, the passion for learning Chinese is sweeping across India. Not only are more and more Indian youngsters dedicated to learning Chinese language, but also many Indian companies tend to hire employees who can speak Chinese. A number of Indian colleges and universities are offering Chinese language programs. It is predicted that Chinese language will soon be popular across India.

Geostrategic and economic interests inevitably come to mind when considering and handling China-India relations. Sometimes we need to draw inspiration from the history of the Silk Road, so as to promote more cultural exchanges between the two countries while putting aside entanglements over tangible interests. Both Chinese and Indians are interested in each other's history and culture, and respect the historical figures who have made great contributions to cultural exchange between the two countries. Such a feeling should nudge the elite to



prioritize people's development and wellbeing when considering Sino-Indian relations and selflessly dedicate themselves to promoting China-India friendship. By doing so, they may not earn money and may even face risks and loneliness, but they can feel truly happy for having benefited others.

China and India share similar national situations. Thus, they can learn from each other as they go forward on the path of development. They need each other very much and are eager to understand and cooperate with each other. The dragon and the elephant are not enemies; they can dance together. As long as we look into the future, trust each other and put our bilateral relations under the framework of the Asian Century, Chinese Dream and Indian Dream, China-India relations will stick to the right way and see enormous progress.

A recent advertisement of a Chinese smartphone manufacturer in India tells the story of a couple of childhood sweethearts who lost contact when growing up; but they recognize each other from a photo taken with their smartphones and finally get married. China and India are just like those two childhood friends: They were once out of touch, but the fate has brought the two countries together again and urged them to build a shared bright future. ■

The author is Charge d'Affaires of the Chinese Embassy in India.

# Chindia@G20

## Seeking Reforms through Innovation

By Swaran Singh

CHINA AND INDIA TODAY HAVE BOTH THE OPPORTUNITY AS ALSO RESPONSIBILITY TO WORK IN TANDEM TO COMPLIMENT EACH OTHER'S INITIATIVES. THEY REPRESENT THE WORLD'S TWO LARGEST AND FASTEST GROWING ECONOMIES AND IT PUTS SPECIAL FOCUS AND ONUS ON THEM TO STEER THIS EVOLUTION OF GLOBAL ECONOMIC GOVERNANCE BY INITIATING INNOVATIVE STRUCTURAL REFORMS.

The 11th G20 Summit in Hangzhou took place against the backdrop of the most recent update of the *World Economic Outlook* of the International Monetary Fund (IMF), which lowered this year's global growth target to 2.9 percent from 3.1 percent. This marks the second year in a row for less than 3 percent global economic growth. It now expects advanced economies to grow by 1.8 percent and emerging markets by an unchanged 4.1 percent. By comparison, for first half of this year, China's economy

grew by 6.7 percent and is expected to reach 7 percent for the whole year. With good monsoon and historic tax reforms under way, Goldman and Sachs believes that India's growth rate for 2016 will be 7.9 percent, up from 7.6 percent last year. This is what makes the G20 Summit in Hangzhou such a special event for both China and India that are increasingly seen as the first and the third most important locomotives of global economic growth.

To recall, the G20 was first convened in 2008 in the backdrop of global economic slowdown from 2007. During these eight years of global

financial crisis, recovery has remained sluggish and brittle, growth environment mediocre, engulfed with rising protectionism, soaring unemployment, shrinking trade and investments, rising debt and fidgety financial and commodity markets, with recent exit of Britain from European Union triggering undue anxieties. Therefore, as China takes over the presidency of the G20, it faces a formidable challenge of triggering hope and improving the world economy mired in such prolonged downturn. As the first step in that direction, Beijing has aptly picked up the theme of

the G20 Summit as "Towards an Innovative, Invigorated, Interconnected and Inclusive World Economy," which aims to stimulate global economic growth through out-of-the-box policies for promoting inclusive trade and development of robust financial markets, to instill market confidence and discourage competitive devaluations of currencies.

As regards locating G20 in the evolving structures of the global economic governance, this continued expansion from G7 to G20 has unleashed transformation, thus widening the international economic regime to provide

greater space for consultations amongst developed and rapidly developing economies of the world. Starting from 1976, the informal gathering of G7 industrialized countries had remained an exclusive club until 1981, when they invited the European Commission, and then recruited Russia in 1997, making it a G8 Summit. It was then British Prime Minister Tony Blair, host of the 31st G8 Summit in Scotland, who first invited leaders of Brazil, China, India, Mexico, South Africa (the G5) to the 2005 summit. This was also the year when G8+5 had expanded its

agenda beyond economic issues and included political and security matters in their deliberations. This explains why China invited non-members like Egyptian President Abdel-Fatah al-Sisi, Singaporean Prime Minister Li Hsien Loong and Thai Prime Minister Prayuth Chan-ocha as well as the UN Secretary General Ban Ki-moon, IMF Managing Director Christine Lagarde and World Trade Organization Director General Roberto Azevedo to the Hangzhou summit. Their attendance may further transform the fundamentals of global economic



September 4, 2016: The 11th G20 Summit opens in Hangzhou, eastern China's Zhejiang Province, at which President Xi Jinping delivered a speech. [by Xu Xun]





September 4, 2016: The 11th G20 Summit is convened at Hangzhou International Expo Center. [by Wan Quan]

governance structures.

For a long time, China has been calling for democratization of international financial institutions to create more resilient mechanisms. With the focus placed on reforms, adjustments and innovation, the run-up to the 11th G20 Summit has witnessed this China imprint through the inclusion of several new sectors with additional ideas and ministerial meetings expanding its agenda. China's Road and Belt Initiative will also bring into focus China's promotion of "green finance"

system that involves technologies, infrastructure and companies, which will be critical in the transition to a low-carbon, climate-resilient and resources efficient economies. This has already been put in place in China's 13th Five-Year Plan (2016-2020) and, with the recognition of green finance putting high priority on environmental sustainability, the G20 leaders are likely to endorse it towards lowering of finance costs for the growth of green economies. Similarly, at the bilateral level, China and India have been

discussing free exchange of Chinese Renminbi and the Indian Rupee at the local markets, as businessmen investing in each other's countries are faced with numerous problems in payment through a third currency like U.S. dollar or the Euro. This innovation is expected to guard against international currency speculations, thereby controlling inflation and discontent that inflation triggers.

China and India today have both the opportunity as also responsibility to work in

tandem to complement each other's initiatives. They represent the world's two largest and fastest-growing economies, and it puts special focus and onus on them to steer this evolution of global economic governance by initiating innovative structural reforms. China-India relations have witnessed euphoric momentum ever since Indian Prime Minister Narendra Modi came to power in May 2014, and especially following Chinese President Xi Jinping's September 2014 visit to India, which led to

China and India signing contracts worth US\$50 billion of Chinese investments in India in the next five years.

Prime Minister Modi and President Xi Jinping have maintained regular interactions. Indeed, when it comes to his meetings with major world leaders, other than U.S. President Barack Obama, Prime Minister Modi has met President Xi maximum times. The two met on the sidelines of the G20 Hangzhou Summit and are scheduled to meet again next month at BRICS summit in Goa, India. Besides, Foreign

Minister Wang Yi's visit to Goa and New Delhi in August seems to have already initiated course correction in improving atmospherics and India has expressed its full support in making the G20 Summit a success for China, hoping reciprocity in the forthcoming BRICS summit in India, where China is sending a 300-strong delegation. With two-thirds of global population and over 80 percent of global economic output, the G20 steering global economy presents an ideal platform for Chindia to not just catapult their own role and representation but to reboot global growth and transform global governance structures.

It is here that China and India must take developing countries along to front load long-term innovative reforms and structural adjustments, so as to create fertile environment for faster economic growth for all. Also, China must ensure that the G20 during its presidency emerges as an organic and continuous work-in-progress to instill mutual confidence about their partnership and the efficacy of their decisions. For the first time, innovation has become the key G20 agenda, characterized by hope of adopting new business models and financial management to encourage new consumption patterns and introducing new productions and technologies. ■

*The author is professor of Diplomacy and Disarmament at the School of International Studies, Jawaharlal Nehru University, New Delhi.*



# Goa in October

## Good Ground for a New Beginning

By Shastri Ramachandaran

BRICS HAS AN AMBITIOUS DEVELOPMENT AGENDA, AND SINO-INDIAN RELATIONSHIP IS THE SHEET ANCHOR OF THE COHESION REQUIRED FOR ACTUALIZING ITS AIMS AND OBJECTIVES.

These are testing times for Sino-Indian relations, and both New Delhi and Beijing are acutely aware of it. The relationship is such that drift would mean a further downslide, and neither side wants that to happen.

Prime Minister Modi as well as President Xi Jinping indicated their intention to work for a robust revival of bilateral ties when they met on the sidelines of the G20 Summit in Hangzhou in September. Sino-Indian relations are a key determinant of the cohesion of BRICS. Therefore, it was only appropriate that the leaders of BRICS nations, too, had a meeting in Hangzhou on the sidelines of the G20 Summit. After all, the next big thing on the global agenda of

particular importance to India and China is the BRICS Summit in October in Goa, India.

Sino-Indian efforts to ensure the success of the G20 Summit in Hangzhou and the BRICS Summit in Goa have been underway for months. However, in this process an important overture was Chinese Foreign Minister Wang Yi's three-day visit to India from August 12 to 14, 2016, at the invitation of India's External Affairs Minister Sushma Swaraj.

Although there have been a series of high-level visits between the countries earlier this year, Wang Yi's visit was certainly not a "routine" visit. In time, Wang Yi's visit may come to be seen as a "turning point" or "defining moment" in India-China relations, at least during the leadership

terms of Modi and Xi.

Wang, who met Modi for 20 minutes and had a three-hour discussion with Swaraj in New Delhi, also travelled to Goa, the BRICS Summit venue. His discussions focused on bilateral, regional and global issues as well as the upcoming BRICS Summit, the G20 Hangzhou Summit and the ASEAN Summit in Laos. While India-China ties can affect the mood, temper and direction of all three summits, the two would be the twin drivers of the BRICS Summit in Goa.

Given the centrality of China and India to BRICS, Swaraj and Wang, while reviewing the relationship, dwelt at length on the recent "challenges" – such as, India's NSG membership and stand on the South China Sea (SCS) conflict – that have strained



Immaculate Conception Church in Goa, India. [CFP]

Sino-Indian relations.

Beijing wanted clarity on these two issues to eliminate strains in the relationship ahead of the BRICS Summit. Wang conveyed that China does not view India as a rival. On the contrary, the two countries should strengthen their partnership, strive for all-round cooperation and push ahead with the development agenda.

Showing China's resolve to overcome the tensions that have marked bilateral ties, President Xi told Prime Minister Modi that "China is willing to work with India to maintain their hard-won sound relations and further advance their cooperation." Prime Minister Modi said that bilateral relationship is based on countries being responsive to each other's sensitivities. Modi and Xi agreed that, for better ties, India and China should understand and respect each other's aspirations and

concerns.

The G20 Summit was about global governance and the architecture, institutions and systems in the emerging international order. However, the greater significance of the summit, beyond its stated agenda, is China's emergence in a leadership role in global governance and the acceptance of this by the U.S. and the international community. The summit also showed that the U.S. and China, despite their differences and disputes, have come to terms with each other to work jointly for the goals of global governance.

Similarly, China and India, too, need to reconcile their differences and work together in the interests of the developing countries and emerging economies – which is what BRICS is about.

Thus, in Hangzhou, the focus was also on BRICS, when its five leaders met

informally. Leading from the chair, Modi said that BRICS is an "an influential voice" in international discourse and it was the group's "shared responsibility to shape the global agenda and help developing nations achieve their objectives." Xi stressed the need to safeguard the multi-lateral trade system, build an open world economy and oppose all forms of protectionism and exclusionism for making all countries equal in terms of development rights, opportunities, and rules.

BRICS has been pushing for greater economic growth among its members and reform of the global financial architecture. Xi wants BRICS to work for a bigger role on the world stage. In moving towards this, China wants to ensure that the undercurrents of Sino-Indian tension do not affect the drive and momentum of BRICS. The five countries with 42 percent of the world's population have a combined GDP of more than US\$ 16 trillion.

BRICS has an ambitious development agenda, and Sino-Indian relationship is the sheet anchor of the cohesion required for actualizing its aims and objectives. The impact of any discordant note arising from tensions between India and China would be felt far beyond the grouping. The ripples would affect the region, other multilateral forums and the interests of developing countries. Both New Delhi and Beijing are acutely aware of this. ■

The author is Senior Consultant and Editor of China-India Dialogue, CIPG.

# China-India Relations Changed and Unchanged

By Hu Shisheng

NEW DELHI'S DILEMMA LIES ON HOW TO CHOOSE BETWEEN COOPERATION AND COMPETITION IN ITS POLICIES TOWARD CHINA.

In recent years, China-India relations have entered a new phase along with increasingly frequent high-level mutual visits. Bilateral relations have acquired some new features while maintaining a steady improvement.

## HEARTWARMING HIGH-LEVEL INTERACTIONS

In terms of political ties, China and India witnessed frequent high-level mutual visits and meetings in recent

years.

From 2003 to 2012, Chinese top leaders met then Indian Prime Minister Manmohan Singh 26 times on various occasions. Such frequent meetings are rare between big powers. In the past couple of years, China and India continued high-level interactions at a very high frequency. So far, Chinese and Indian top leaders have met nearly 10 times on either bilateral or multilateral occasions.

Both countries pay great

importance to high-level communication. In fact, high-level "navigation" has been one of the most remarkable features of Sino-Indian relations for a long time. Despite the development competition, strategic doubts, territorial disputes, historical burdens, and lack of mutual understanding between the two countries, China-India relations have maintained a steady improvement since the normalization of their diplomatic relationship in 1988.

This is largely attributed to the fact that top leaders of the two countries are "helmsmen" steering the ship of bilateral relations in the right direction. Every high-level visit could push their relationship to a higher level.

Since 2014, high-level interactions between the two countries have been more heartwarming. The close personal relationship between Chinese and Indian leaders is an important factor behind their frequent meetings on multilateral occasions. In September 2014, President Xi Jinping visited Prime Minister Modi's home state of Gujarat and sent his greetings on Modi's birthday. In May 2015, Modi visited Xi'an, the hometown of President Xi and a city of historical and cultural significance in Shaanxi Province. Not long ago, the Indian prime minister conveyed his good wishes on Xi's birthday via his Twitter account. Their personal interactions showed their

Eastern-style sentiments.

To a large extent, international relations depend on interpersonal interactions between state leaders as well as ordinary people. Such interactions are important, especially those between leaders.

## BRIGHT PROSPECT OF ECONOMIC AND TRADE COOPERATION

Since President Xi called for "building closer partnership" during his visit to India in September 2014, the two countries have seen increasingly close and extensive economic cooperation. Although the two countries failed to realize the goal of enabling bilateral trade to exceed US\$100 billion by 2015, their economic relations have moved onto a "fast lane."

The Indian side is dissatisfied at its trade structure with China: The majority of India's exports to China are raw materials, and in some years,

iron ore accounts for more than 60 percent of Indian exports to China. As China is speeding up its economic restructuring and upgrade, especially structural reform in the supply side, the need for raw material has dropped sharply. Meanwhile, with the development and revival of its infrastructure and manufacturing sectors, India's demand for Chinese products with high added value such as machinery and electric equipment has surged. As a result, this worsens the trade imbalance between the two countries.

However, such a trade imbalance, which is still in development, will facilitate India's economic growth to large extent in general. Compared to their Western counterparts, Chinese mechanical products such as power-generating equipment and mechanical tools are more competitive due to their good quality and cheaper



September 4, 2016: Chinese President Xi Jinping holds bilateral talks with Indian Prime Minister Narendra Modi during the G20 Hangzhou Summit. [by Xu Xun]





Li Jinjun, Vice President of Oversea Business of Guizhou Electronics Design and Research Institute, talks with engineer Li Shiyu over business opportunities in electricity infrastructure construction on a street in India. [Courtesy of Guizhou TV Station]

prices.

A survey report released by the world's leading consulting firm Ernst & Young on October 11, 2015, shows that India was considered the most attractive investment destination around the globe in the preceding three years. In the past couple of years, economic cooperation between China and India has expanded from trade to a plethora of areas including investment, infrastructure, environmental protection, high technology, clean energy, and sustainable urbanization. It is noteworthy that the Indian government's restrictions on Chinese enterprises' entry into the Indian market have been evidently loosened. In November 2015, the Modi administration surprisingly began issuing fast security permits for Chinese enterprises that intended to invest in India. In 2015 alone, India provided security permits for investment projects by some 20 Chinese companies including Huawei (which previously received much obstruction from India's security authorities). All of these indicate that the government of India values the role of Chinese capital in India's industrialization.

In a speech he made before leaving office as Chinese ambassador to India in April

2016, Le Yucheng said that Chinese investments are witnessing an explosive growth in India. In New Delhi alone, China Chamber of Commerce in India has more than 300 member enterprises. To date, Chinese investment in India has reached nearly US\$4 billion. In 2015 alone, China signed agreements to invest US\$40 billion in India.

Similarly, Indian private companies are playing an increasingly important role in promoting China-India economic and trade relations. For instance, Tata has extended its reach to China – not only in traditional sectors like the steel and automobile industries, but also in non-traditional sectors such as IT, services, and smart city – and earned tremendous returns by investing in China. In 2014, Tata sold US\$13.6 billion of products in the Chinese market, accounting for nearly nine percent of its global sales. China has become the Indian company's largest market in Asia.

In fact, with a combined population of 2.6 billion, China and India are capable of serving as important global testing grounds in promoting new business modes, product standards and technological innovation, and incubating industrial giants.

## INDIA'S RISING SECURITY WORRIES OVER CHINA

In the past two years, military interactions and security dialogues between China and India increased obviously although the two sides once suspended their military exchange due to the matter of “stapled visas” in 2010. However, compared to fast-growing economic cooperation and frequent high-level mutual visits, interactions in the area of security, especially military affairs, remain quite insufficient. The two countries need to do more to build mutual trust in the security sector.

It is noteworthy that since Modi took office, India's security worries over China have constantly increased. This is evidenced by the fact that India was no longer reluctant to seek security collaboration with the United States, Japan, and the Association of Southeast Asian Nations (ASEAN). Meanwhile, concern over India's security cooperation with any third party has also risen in China.

First of all, India continues deepening its security cooperation and strategic coordination with the United States. Early in June 2016, the two countries finalized a 10-year Logistics Supply Agreement during Modi's visit to the United States, as well as a cooperative agreement on building six civil nuclear reactors in India. All of these indicate that India and the United States have forged a quasi-alliance relationship.

Second, India and Japan

have launched defense cooperation process. Japan is the only country building defense and foreign ministers' meeting mechanisms with India. India already expressed its intention to buy Japan's Soryu-class submarines. Perhaps the deal will enable Japan to export large military equipment for the first time since the Abe administration passed the Three Principles on Transfer of Defense Equipment in April 2014, which actually annulled the Three Principles on Arms Export that Japan had implemented for decades.

Third, India, Japan and the United States have strengthened their trilateral security interactions. Earlier this year, the three countries carried out the Malabar naval drill in the Philippine Sea. This was the first time for the annual military exercises to be held beyond the Indian Ocean. All of these indicate that India has begun to positively respond to enticement by the United States, Japan, and

some ASEAN member countries in the realm of defense cooperation.

Finally, India has publicly intervened in the South China Sea issue. Although India already began drilling oil in the South China Sea (which is called “East Sea” in Vietnam)

rise based on technological, financial, and political support from those countries.

However, we must realize that the security cooperation that India carried out with countries which have strategic doubts about China's rise usually has little pragmatic

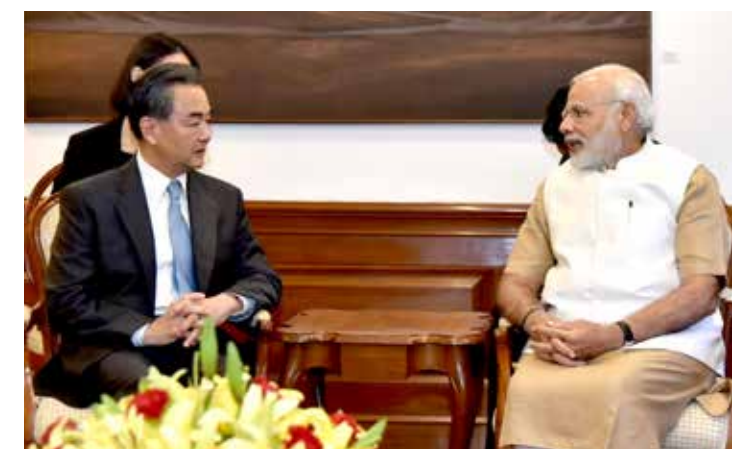
## It has become a basic consensus among Indian rulers to maintain the overall stability of Sino-Indian relations.

in 1988, the fact that India under the Modi administration frequently voiced its views on the South China Sea issue still evoked concerns in China.

India is keen on security cooperation with those countries because, on the one hand, it intends to pin down China's efforts in seeking security cooperation in South Asia and the Indian Ocean; and, on the other hand, it looks to accelerate its own

content and aims to earn some benefits. It has become a basic consensus among Indian rulers to maintain the overall stability of Sino-Indian relations. The Modi administration is very pragmatic and attaches great importance to Sino-Indian relations. Thus, it never fully supports the policies of the United States and Japan on the South China Sea issue. Though cooperating with some countries, which are severely lacking security and political mutual trust in their relationship with China, the Modi administration pays great attention to China's concerns since it is unwilling to sacrifice steady development of China-India relations. The most obvious evidence is that India publicly refused the invitation by Harry B. Harris Jr., commander of the U.S. Pacific Command, to “jointly patrol the South China Sea,” in March 2016. During his visit to the United States in June 2016, Modi never mentioned the South China Sea issue in his public speeches. Soon after the U.S. defense secretary

August 13, 2016: Indian Prime Minister Narendra Modi meets Chinese Foreign Minister Wang Yi during his visit to New Delhi, and holds talks for the G20 Hangzhou Summit in China. [CFP]





visited India in April 2016, the Indian defense minister paid a visit to China. Such an arrangement facilitated New Delhi to eliminate China's worries about India signing an alliance agreement with the United States. What is more noteworthy, the *Joint Communiqué of the 14th Meeting of the Foreign Ministers of Russia, India and China*, published in April 2016, states that "all related disputes should be addressed through negotiations and agreements between the parties concerned." Doubtless, this took into account China's stance to exclude the United States and Japan in the South China Sea dispute.

#### GREAT POTENTIAL OF PEOPLE-TO-PEOPLE COMMUNICATION

Despite its steady growth in the last two years, people-to-people exchange between China and India remains negligible, given the huge combined population and rich cultural resources of the two countries. It is a debatable fact that public opinion has played a negative role when it comes to the stability and development of their bilateral relations, rather than serving as a propelling and safeguarding force.

For a long time, due to lack of mutual understanding and communication and negative reporting by the media on each other's country, Chinese and Indians hold negative perceptions of each other. It is easy for the public to be misled by the mass media. Indian media habitually review China and Sino-Indian relations based on Western



1 Staff members record the marvelous performance of international campers at the National Day event during the 7th Soong Ching Ling International Summer Camp. [by Hu Zhoumeng]



2 A group photo of the Indian team in their booth. [by Zhang Xue]

reporting and from Western perspectives. Some Western countries are biased and prejudiced against China, and sensationalize the "China threat" theory. This resulted in most Indians holding a negative attitude toward China. Meanwhile, Chinese media are inclined to report bad news about India, causing many Chinese to hold prejudices against India.

Fortunately, people-to-people exchange thrived in the past couple of years thanks to the effort of the governments of the two countries. China opened the Nathu La Pass for

Indian pilgrims traveling to Tibet, and India began providing e-visa for Chinese tourists, which are considered two milestone events in the history of Sino-Indian relations. In 2015, mutual visits between the two countries exceeded a million for the first time, accounting for half of the mutual visits between China and South Asian countries. Mutual visits between China and India grew by 25 percent in the first quarter of 2016. Of course, personal exchanges between the two countries remain limited. Starting from 2014, more than



3 July 30, 2016: Chinese volunteer Wang Fan and Indian girls have a good time on a bus to the Bund in Shanghai. [by Wang Fan]

100 million Chinese travel abroad each year, of which only one percent goes to India. Despite the fact that China and India together have a population of 2.6 billion, mutual visits between the two countries only make up 0.06 percent of their combined population.

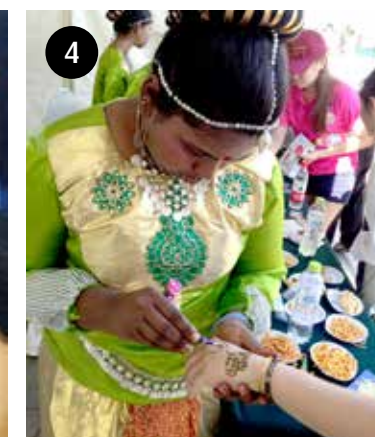
However, there is a pleasant change: More and more Chinese people are optimistic about India's future development. It is predictable that with the improvement of India's infrastructure and the growth of middle-class population in the two countries – as well as



4 An Indian camper draws Mehndi, a temporary henna tattoo, for a Chinese visitor. [by Hu Zhoumeng]

the constant enhancement of mutual trust in political and security sectors and interconnectivity – people-to-people exchange between China and India will increase, thus changing the landscape of Sino-Indian relations.

In a nutshell, India under the Modi administration now faces the best-ever strategic conditions. Although India has intensified its suspicion of China in the security area, the Modi administration, which prioritizes economic development and people's livelihood and would seek re-election in 2019, will continue to focus



5 Indian camper Siddarth receives a piece of calligraphy work written exclusively for him by Chinese volunteer Wang Yuanlong at the National Day event during the 7th Soong Ching Ling International Summer Camp. [by Zhang Xue]

on building a "closer development partnership" with China. Therefore, it is certain that New Delhi will avoid conflict and confrontation with China in the time of Modi and even for a long time thereafter. New Delhi's dilemma lies in how to choose between cooperation and competition in its policies toward China. 

The author is Director of the Institute of South and Southeast Asian and Oceanian Studies at the China Institutes of Contemporary International Relations.



# Modi's Reform and Future China-India Cooperation

By Yang Xiaoping

IN THE COURSE OF ITS REFORM, INDIA NEEDS TO CONSTANTLY STRUGGLE AGAINST THE 'CONSERVATISM' THAT HAS PENETRATED INTO THE BLOOD OF ITS ADMINISTRATIVE AND GOVERNMENT SYSTEMS.

February 25, 2015: Porters prepare to load goods onto a train at a railway station in Kolkata, India. [REUTERS]

For a long time, the Chinese mainstream views on India and its development have been very static. First, India's "unique" democratic system has created sound strategic environment for its development while also limiting its growth rate; Second, despite the steady growth of its military strength, India still maintains defensive strategy and keeps traditions of diplomatic autonomy; Third, India's innovation capacity is rooted in its well-educated elites, and the middle class is the primary driving force for its domestic consumption. To achieve better development in future, India urgently needs to solve problems such

as unemployment of young people, as well as challenges concerning the livelihood of ordinary people including medical care, public health, housing, and drinking water.

Narendra Modi won the 2014 general election amidst the general hopes for change. Two years later, he overcame difficulties in an iron-fisted manner and eventually enabled the passing of the Goods and Services Tax (GST) Bill. These dynamics caused subtle changes in China's view of India. On the one hand, the GST Bill has resulted in substantive changes in India's investment environment, making its investment and economic prospects more promising, which also benefits China. On

the other hand, the pragmatic national-interest-oriented approach adopted by Modi after his taking office will probably undermine India's long-standing "strategic autonomy" tradition though in practice India might connect closer with China economically. This becomes particularly evident as the United States continues to push forward its Asia Rebalance strategy.

## THE LOGIC PATH OF REFORM

To some extent, the 1991 currency crisis forced India to launch its economic reform process. Despite its weak infrastructure, India's software industry made full use of its advantages in English language and labor

cost in the era of the digital economy, and occupied a certain position in the global service outsourcing chain, creating a unique India mode, featuring a thriving service industry.

Unlike many other countries, India bypassed the industrialization period and directly prioritized to develop the service industry. However, this may exert a negative impact on the country's development in the long run, for such a model would fail to provide enough jobs for young Indians. In this case, India would be unable to take full advantage of its demographic dividend (laborers aged between 15 and 64 account for 65 to 70 percent of the total

population), thus threatening its capability for sustainable economic development.

Creating large numbers of jobs requires inflows of tremendous foreign investment. However, India's current overall investment environment is far from satisfying due to underdeveloped infrastructure, habitual bureaucratic practices of administration and taxation, difficulty in land acquisition, protectionism from powerful labor unions and environment organizations, and fragmented domestic market. According to the *Global Competitiveness Report 2014-2015* released by the World Economic Forum, India is ranked 71st among

144 countries/regions in terms of international competitiveness, and 87th upon infrastructure index. It is widely acknowledged that operation cost of business is comparatively higher in India.

In this context, Modi's reform is vital for the future of India's economy. Theoretically, the reform aims to clear those chronic structural obstacles that are impeding India's development. And strategically, three areas are listed as priorities, namely upgrading infrastructure, attracting more foreign investments, and creating the conditions for "re-industrialization" through "Make in India."

In the field of infrastructure, the Modi administration mainly focuses on building telecommunication networks, upgrading highways and railways, reforming the taxation system, and constructing smart cities. In terms of attracting foreign investments, priority is given to improving the investment environment and rectify laws and regulations, which involve the areas of land acquisition, electricity, taxation, and labor. “Make in India” initiative aims to facilitate the development of manufacturing in 25 separate sectors such as transportation, coal mining,

of some groups, thus evoking negative responses or even backlash in some cases. Therefore, in the past couple of years Modi’s reform actually faced more pressure than ever expected.

Fortunately, the reform achieved a breakthrough with the passing of the GST in August 2016, which gave ‘high’ stimulus to Modi’s following reforms. As well accepted, it wasn’t easy for the GST (also called the 122nd Constitutional Amendment Bill) to be passed, which involved not only amending of the Constitution, but also fierce bargaining between central and local governments.

## As both countries make development their ultimate goal, however, their strategic competition does not necessarily hinder their “creative” cooperation in economic and social development.

electronics, chemicals, and food processing.

### WHAT ‘CONSERVATISM’ TO COMBAT WITH

Modi’s reform doesn’t go smoothly. At power structure level, though Bharatiya Janata Party (BJP) enjoys majority in the Lok Sabha (Lower House of Parliament), the opposition still controls the Rajya Sabha (Upper House), which constrains Modi from fully exercising his power. At political force level, Modi’s reform, at some aspects, is doomed to harm the interests

Historically, the GST bill was passed by the Lok Sabha in 2015 with the introduction under India’s Finance Minister at the end of 2014, but could not pass the test in the Rajya Sabha until 2016. The existed debates on compensations for possible loss of some states, as well as the organizational structure, functions and authority of the GST Committee just fatigued the whole process. Somehow, a political consensus has been reached in August as a result of all-round compromises and balance of varied interests.

The passing of GST has made a single integrated tax possible when buying goods or services in whole India. Meanwhile, GST will also contribute to decrease ‘smuggling’ between Indian states.

In addition to the GST, progress was also made on land acquisition considering India’s Land Acquisition Amendment Bill has been passed by the Lok Sabha, though in nature land acquisition is one of the items on the concurrent list.

So far, except for GST, Modi has only advanced essential reforms in those areas with fewer obstacles. This also implies the diversity, complexity and decentralization of India’s political complex. With regard to land acquisition, state governments are actually more influential than central government within India’s federal system. And in the field of attracting foreign investments, local states vary greatly due to their capacity differences on infrastructure and implementation. At national level, another challenge for the Modi administration is how to tackle bad debts of state-owned banks, which have increased enormously since he became Prime Minister.

In sum, reform means not only just changes of rules and regulations, but also evolutions of ideas. It is undeniable that in spite of its rapid economic growth, India lags behind in updating its mindset, such as its attitude towards labor, land acquisition, and

—  
The “Make in India” program creates a favorable condition for India’s re-industrialization. [CFP]



re-industrialization. In the course of its reform, India needs to constantly struggle against the ‘orthodox’ that has penetrated the blood of its administrative and government system.

### POSSIBLE CREATIVE COOPERATION WITH CHINA

Soon after Modi took power in 2014, China and India issued the *Joint Statement on Building a Closer Developmental Partnership*, according to which the two countries decided to “explore new areas for economic cooperation through the Sino-Indian Strategic Economic Dialogue in the fields including industrial investment, infrastructure development, energy conservation and environment protection, high-tech industry, clean energy and sustainable urbanization.”

By getting the GST passed, the Modi administration demonstrated New Delhi’s determination to further the reform, which in turn bolsters China’s confidence to cooperate with India, especially in the framework of development-driven and win-win cooperation. In the future, the two countries could make efforts to explore the opportunities in the following (but not refined to)

realms.

First, in the infrastructure sector, including highways, railways, harbors, and housing, where India suffers from a tremendous shortage of funds, China may contribute to facilitate in funds, machinery equipment, technology, and project management professionals.

Second, in the power industry, considering the domestic pressure that India is facing from its environmental groups against establishing nuclear power plants, China’s expertise in thermal and solar power sector might be reconsidered as an option. Also it is expectable that in the future a more criteria-based norm would apply to nuclear energy and nuclear safety internationally.

Third, India may collaborate with China in terms of vocational skills training, thus improving the quality of its labor force.

Finally, there is a lot of room for China-India to cooperate in addressing the reality of a huge impoverished population and environmental pollution while India accelerates its urbanization process. The two countries could share experiences in poverty reduction and drinking

water supply, and even carry out cooperations on trans-boundary water resources and biodiversity protection.

Some researches argue that China and India have “overlapped” strategic space in South Asia and Southeast Asia, so India (which is comparatively weaker) might consider to introduce a third party (such as the United States) to balance China, thus intensifying strategic competition between the two Asian neighbors.

However, if both countries make development their ultimate goal, this strategic competition does not necessarily hinder their “creative” cooperation in economic and social development. The key is to properly reduce the negative impacts of their trust deficit, and creatively expand the pie of common interests. Both China and India should realize that they are obligated to contribute their Oriental wisdom to the reshaping of world order together as representatives of developing countries.

—  
The author is Visiting Fellow at Carnegie Endowment for International Peace, Associate of NIS, Chinese Academy of Social Sciences.



# Chinese Enterprises in India and Their Impact

By Umakant Lakhera



In 2005, when China further opened up its economy, eased controls and metamorphosed into a market-led entity, India figured prominently on its investment radar. There began the saga of the most active phase of Chinese investment in India. Successive years down the line witnessed India-China bilateral trade soaring from as low as US\$2.92 billion in 2000 to

US\$41.85 billion in 2008; and, by 2015, bilateral trade touched US\$70.4 billion. While India's exports to China amounted US\$ 8.86 billion, China's exports to India were to the tune of US\$61.54 billion.

Clearly, China has set its sights on the big market that India offers for Chinese products. As on date, from almost all toys, computers and smartphone brands (such

Haier, Lenovo, One Plus, Oppo or Xiaomi) to telecom equipment, China has made its presence felt in Indian households through these products.

For keeping up the pace of investment, a number of Chinese companies have entered India. In order to augment their businesses, they are shrewdly working on a strategy of employing local people, who are quite well

versed with the country's business rules. A case in point is Huawei Technologies Company Limited (India), where almost 90 percent of employees are Indians.

Those Chinese companies, which have gained a firm foothold in India, are gearing up their efforts to execute over US\$60 billion worth of projects, according to one estimate. With Chinese companies facing poor prospects and shrinking opportunities at home, Chinese co-operation is expected to make a good impact in India's high speed rail network, renewable energy sector, smart cities and, above all, the manufacturing sector.

There are no prizes for guessing that Chinese companies outstrip their Indian counterparts in technologies and performance cost, yet they are besieged by gigantic challenges in realizing sustainable strategies and outcomes in the Indian markets.

Their predicament may be explained thus: Whenever there is a surge in demand for Chinese products in India, the number of Chinese companies meeting the demands through sale of their products increases proportionately.

The ensuing competition requires the companies to cut their margins. Consequently, Chinese companies find themselves in a piquant situation where they have to quit, invest more or create a manufacturing base in India. This dilemma is an outcome of their success in the market.

The impact of Chinese products in the Indian economy may be gauged by the fact

that Indian manufacturers do not have adequate resources and resourcefulness to manufacture products on an equal footing with their Chinese counterparts. Indian products are not competitive against the Chinese either at home or in China. Thus, despite the trade imbalance, the government, which is committed to increasing bilateral trade, finds itself unable to curb the flood of low-priced goods supplied by China to India. At the same time, neither the government nor policy makers have been able to do anything that would trigger growth and demand in China for Indian goods and products, thereby helping Indian exporters.

That gives rise to the question of how India could, and should, then improve its chances of becoming a more favored destination for manufacturing and investment.

The answer is not far to see in a 1.28-billion-strong India, where the demographics make it an attractive market: the young, between 15 and 35 years, account for 35 percent of the population. Apart from being potential consumers, such a population profile can be expected to ensure sufficient labor supply over the next two decades.

Chiefly guided by advantages of the population and the work force, the government took the plunge to announce the "Make in India" program to draw investments from overseas companies. Under the scheme of things, the government has planned to setup large-scale manufacturing hubs countrywide to

manufacture and export Indian products at very competitive rates.

As of now, it is quite difficult to predict the viability of the "Make in India" program. More so because Indian consumers are flocking to buy low-cost Chinese products such as electric and electronic gadgets, consumer items, machinery, capital goods and chemicals.

In this context, the impact of the slowdown in Chinese demand affecting our exports requires to be examined. Compared to what India imports from China, India's range of exports to that country is less diverse. From the Indian side, raw cotton and cotton yarn, petroleum products, iron ore, granite, copper, metal products and some types of spices account for over 70 percent of our exports. If Chinese demand dwindles, resulting in lesser requirements of raw material, it is only natural that India's exports to China will decrease. In fact, the fall in exports would be to such an extent that India will find itself unable to take advantage of the yuan devaluation for earning more dollars. This is borne out by the fact that India's export to China went down by 19.5 percent to US\$11.9 billion in 2014-15 from US\$ 14.8 in the preceding year.

Recently, the Indian embassy in Beijing issued a trade advisory for dealing with Chinese firms in the wake of disputes.

According to the latest advisory, a checklist has been released of Chinese

companies whose credentials are required to be run past the Indian embassy or consulates in China. In case of large transactions, it is recommended to consult a business service company, which could provide a report on the financial health, business transparency, reputation, reliability and credentials of the Chinese company.

Explaining the rationale for the advisory, policymakers at the helm said that “the advisory is meant to enhance commercial cooperation between India and China by drawing attention to some of the risks faced by Indian companies.” The Chinese are not complaining about the advisory as they do not want a few bad eggs in their country to bring the larger business community into disrepute.

In fact, some of the

companies engaged in supply of Chinese products to India feel that the slowdown in the Chinese economy for the last two years has opened a window of opportunity for Chinese entrepreneurs in India, says Mr Rajendra Jain, Director of Micro, Small and Medium Chamber of Commerce. Jain also feels that the Make in India endeavor initiated by the government of Prime Minister Narendra Modi has generated a huge enthusiasm among the community of Chinese entrepreneurs: they feel that this is the appropriate time to enter the Indian manufacturing market especially in sectors such as automobile, machinery, shoes, textile technology, mobile handset and electronic items – all of which have a huge demand in the vast Indian market. The

immediate effect of the Make in India program would be to discourage some of the imports from China. At the same time, it would encourage Chinese entrepreneurs who are resilient enough to take the advantage of the opportunity to visit India and explore the possibilities of setting up their own industrial (manufacturing) ventures.

India has learned a lot from the success stories of Chinese manufacturing industries, especially the concept of China’s Special Industrial Zones. Therefore, Chinese businessmen are not surprised that a huge Chinese industrial township, comprising 4,000 acres, has been set up in Neemrana, which falls under Sonapat District of Haryana state and is near Delhi. This township has been set up by the Chinese

real estate giant, the Wanda Group. Despite issues like border dispute, the entrepreneurs of both countries are keen on increasing the number of joint ventures, which seem to be catching on.

There are reports that many Indian state governments are in touch with Chinese entrepreneurs and the government in China to get them to invest capital in their respective states for generating employment and increasing industrial production. Experts feel that despite welcoming the Chinese entrepreneurship with open arms, there still exist problems with the lethargic and slow style of functioning of the Indian bureaucracy and government system. Chinese entrepreneurs are facing a crisis of getting skilled labor and obstacles to acquiring cheap

land and the necessary infrastructure facilities. Indian entrepreneurs learned a lot from Chinese business leaders regarding application of technology, hard work, quality production and time-bound commitment to deliver the finished product. Yet Chinese entrepreneurs feel that although digital India is changing the old style of functioning of Indian official machinery, there remain a series of difficulties for execution of industrial projects. Corporate observers feel that there is still a lot left to be done for ease of doing business in India especially as acquisition of land and getting allotment of industrial land remain difficult tasks in many of the states in India. Labor laws are cited as another problem, and this is a matter of concern because of the resistance of the labor unions and government departments in many Indian states.

The new consumers and buyers in India have become very conscious about the quality of the products. Keeping in mind the requirements of the better informed and educated young generation in India, the Chinese entrepreneurs are compelled to be more sensitive towards the quality demands of the market. The online shopping culture of the urban India is also posing a challenge to Chinese enterprises (and their counterparts in India, too) to maintain the quality and durability of the products.

The government of India is also conscious about the

Chinese desire to make India a fruitful investment destination in the coming years. Chinese President Xi Jinping and Prime Minister Modi have discussed the roadmap of investment in detail. China has promised a US\$20 billion investment in India. The controversial advisory regarding Indian security concerns has created an unusual debate. However, this is a temporary setback to the flow of investment from China. In recent months, India’s Ministry of Home Affairs has responded more than adequately to clear the clouds of security issues relating to Chinese products.

Experts in India feel that the Indian government’s advisories on Chinese products since 2013 had initially created a deficit of confidence in bilateral business relationship in various sectors. However, now the government of India, particularly, the Ministry of Home Affairs and the Ministry of Commerce, seem to be more sensitive on the advisory front, liberal in the application of rules and generous in approving security-related issues on Chinese products.

Economists and seasoned observers of India-China relations especially in the matter of business feel that this is the right time to speed up and strengthen bilateral ties between the two countries to broaden the map of entrepreneurship in joint ventures. ■

*The author, a senior journalist based in New Delhi, is former Chief of National Bureau of the daily Hindustan.*

March 21, 2013: A worker fills a spanning machine with cotton at a cotton processing unit in the town of Kadi in the western India state of Gujarat. [REUTERS]





# India-China Tourism Civilizational Ties in a Modern Avatar

By Ravi Bhoothalingam

**J**ourney to the West is the name of a popular Chinese classic, an imaginative rendering of the travels of the Buddhist monk and scholar Xuan Zang. In the 7th century A.D., he journeyed from China across Central Asia to India, and spent 14 years travelling in India before returning to his country with a vast collection of Buddhist manuscripts. But Xuan Zang's epic journey was itself in continuation of a long tradition. For a thousand years before him, pilgrims, traders, scholars and adventurers had trodden the many trade routes between India and China collectively known today as the Silk Road. A pilgrimage to India — 'the Western Paradise' — was the ultimate dream for many Chinese. Indian sculptors,

painters, artists, musicians, astronomers, mathematicians and scholars were to be found in every city along the Silk Road, and had an honored place in Xi'an, the then capital of Imperial China. Even more remarkably, these two civilizations coexisted peacefully for nearly three millennia without any significant period or event of armed conflict. Such a record between neighboring countries must be unprecedented in world history.

How is all this relevant today? The word 'tourist' was unknown in the days of those Silk Road travelers. But in today's terminology (as adopted by the World Tourism Organisation), the travels of those merchants, yogis, pilgrims, scholars, craftsmen and others who frequented

these routes would fit the current definition of tourism. They more than fulfilled those requirements of 'traveling with a purpose' and venturing well beyond their local areas; and they certainly journeyed more than overnight — in fact, for months if not years. Perhaps the first really large-scale 'tourism' in recorded history was between India and China.

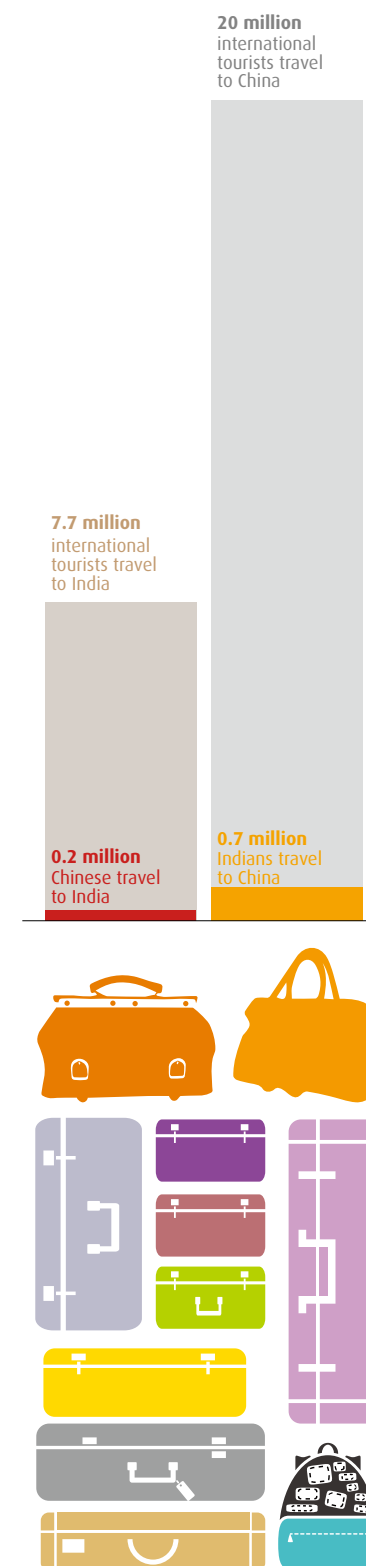
Against this glorious historical canvas, where is India-China tourism today? The story is pathetic. In 2014, of India's 7.7 million international tourist arrivals, only 200,000 were from China — less than three percent. And, of China's 20 million overseas visitors in that year, about 700,000 (just over three percent) were Indians (including non-resident

Indians). This three percent level of mutual Sino-Indian visits looks even more marginal when set in the context of the burgeoning growth of the outbound travel business in both countries. Today, China generates a healthy outbound volume of 84 million tourists (excluding travelers heading to China's Hong Kong, Macao and Taiwan), whilst the figure for India is 18 million (estimated for 2015).

The World Travel and Tourism Council has forecast that the Asia-Pacific region would remain the growth engine for world tourism for the next 10 years. By 2020, the outbound numbers for China and India may touch 100 million and 50 million, respectively. In this broader scenario, however, India-China bilateral travel continues to languish, at levels certainly not befitting two giant, fast-growing, neighboring Asian economies. So the scope for tourism between India and China is vast. Whilst these two countries are neighbors, they need not be strangers to each other.

This combination of large outbound volumes together with rising purchasing power constitutes a powerful engine for tourism generation, and so it is not surprising that many countries are competing for a piece of this lucrative pie. Australia, Switzerland, the UK, Austria, Malaysia, Singapore, Thailand, Mauritius, Maldives and Sri Lanka are actively pursuing Indian tourists. So are the countries of Scandinavia and East Europe, the Middle East,

2014



and even individual provinces of nations such as Italy and France. Imaginative approaches are in plenty. Britain, Switzerland and New Zealand are targeting Bollywood to shoot films in their countries. Strong advertising and attractive packages lure Indian travelers to Sri Lanka, Malaysia and Thailand. The countries of the Indo-Chinese Peninsula, along with Thailand have also created the Greater Mekong tourism packages aimed at the Chinese and East Asian markets. South Korea, and more recently, Mongolia and Russia, have actively targeted Chinese travelers.

With this background, it is imperative that for their mutual benefit, India and China should immediately engage each other intensively to increase tourism between the two countries. Even if each country targeted only an additional two percent of the other's outbound market, it would mean two million additional tourists entering India and one million coming into China. For India, this implies a foreign exchange inflow of over US\$2 billion and at least 100,000 additional livelihoods (For every jumbo jet landing daily with 400 tourists, US\$150 million is generated over the year, assuming a modest expenditure of US\$1,000 per head for a week's stay).

Important as it is, the *raison d'être* for Sino-Indian tourism is not merely economic. The demonstration effect of active and peaceful human connection and cooperation between China and India will send a

powerful signal to those who believe in the 'clash of civilizations' or in the inevitability of geopolitical 'realism' leading to tense if not adversarial relations between the two Asian powers. But, for tapping this multi-dimensional tourism goldmine, we must act decisively.

**First of all**, we must increase the awareness of India

"House of India in China" in Beijing and other key Chinese cities through a cooperative venture involving the Ministry of Tourism, representative organizations of India's tourism industry, aviation and travel companies interested in China, the Indian Council of Cultural Relations, CII, FICCI, ASSOCHAM and NASSCOM.

rediscovery of each other's civilization. Young people in both countries are not prisoners of the past, and have the outlook of global citizens. Why not set an ambitious target of at least 100 youths from each district in India visiting China every year, and a similar reciprocal number from China? These journeys need not be mere govern-

with English-language summer schools for Chinese students? What about exchange programs where teachers can teach Indians Chinese and Chinese English? Why not open the historic trans-Himalayan land routes from Sikkim and Ladakh to China's Tibet and Xinjiang for adventure and eco-tourism? How about shooting Indian films in China and a sequel of *Crouching Tiger, Hidden Dragon* being shot in India?

**Fourthly**, an analysis of Buddhist tourism to India over the last 10 years shows that the share of young travelers has dropped by 25 percent. This is not a happy

trend, since the overall youth tourism market in Asia is growing strongly, and 'the youth bulge' in Asia will persist for many years. I believe that the major reason for current Buddhist tourism packages not attracting young travelers lies in the nature of the tourist experience.

Tourists are transported from site to site by air, rail and bus; they dutifully go around the historic areas, take photographs, buy mementoes, perform rituals, and move on, having ticked yet another destination as 'done' in their diaries! No wonder that they cannot attract young people who search for meaning and relevance from the age-old Buddhist values of scientific enquiry, social service, respect for nature and peace of mind in a world that is far more complex and uncertain than that experienced by their parents.

Perhaps the remedy lies in creating a 'new' Buddhist

tourism which is, quite simply, a revival of the oldest form of Buddhist tourism—the pilgrimage—where travelers can live out Buddhist virtues and see the results for themselves. An example has been set here by the Indian state of Sikkim. Travelers to this state can experience rural life, partaking of the local food and trying their hand at

Buddhist sites of southern and northern India and Nepal, traverse the great monasteries of Tibet, terminating in Mongolia at the magnificent Erdene Zuu monastery built on the ruins of ancient Karakorum? Can we capitalize upon the re-opening of Nalanda University to re-create a great upsurge of Asian students?

## Why not set an ambitious target of at least a 100 youth from each district in India visiting China every year, and a similar reciprocal number from China?

local crafts, sports, social service and volunteering in community projects. City slickers can revive their sense of wonder and connection with the natural environment through nature walks. Accommodation is simple and inexpensive, but neat and clean, with the hospitality and warmth of local families. Meditative camps and health-care retreats provide alternative forms of healing which allow the body to display its natural powers of growth and regeneration. In every way, all these activities display Buddhism in an alive and natural way, and not as a fossilized form or dusty museum pieces.

**Finally**, perhaps it is possible to think even more radically and involve our South Asian neighbors in this endeavor. Can we create a trans-national 'Grand Buddhist Tour' starting from Anuradhapura in Sri Lanka, to take in the hallowed

interest in India, as was the case two millennia ago?

Tourism on a large scale between India and China will result in benefits for people that go well beyond the economic dimension, though that in itself would be a substantial gain. It will be a massive move for peace and stability, in a world that stands perilously close to greater conflict and violence. And a befitting revival of the Silk Road—so that the trails blazed by Xuan Zang, Fa Xian, Kumarajiva and Bodhidharma may be followed by citizens of today, recreating the spirit of these two ancient civilizations in a manner sorely needed in the modern world. ■

*The author studied Experimental Psychology at Cambridge University, and has held senior positions in industry in India and abroad. A former president of the Oberoi Group of Hotels, he serves on several company boards and is Honorary Fellow of the Institute of Chinese Studies, Delhi, and a Fellow of the Royal Geographical Society, London.*



in China. At present, India figures quite marginally in the Chinese psyche. Yes, India does occupy a special place as the land of the Buddha, but this is mostly amongst the older generation. Indian films have made a visible mark; there is scarcely a taxi driver from Xi'an to Xinjiang who cannot hum the words of "Awaara Hoon". The 1962 conflict does not seem to bother people in general and survives only as a residual political issue. There is recognition and respect for India as an IT power, and for its relatively strong English-language base. All this has not yet translated into making India a holiday destination for the Chinese.

Awareness of India should be supported through strong and imaginative measures. It is no longer sufficient just to open the quintessential government of India tourism office in Beijing. Rather, we should create a 21st Century

There should be a year-long calendar of events and programs projecting different aspects of India. Leading film personalities from China should be called upon to tour our provinces and tell their stories on television and on the internet — Jackie Chan and Gong Li could be our best ambassadors in China! Print, electronic and social media must target personal choices and experiences, with Indian fabrics, fashion, and cuisine being in full display. There is nothing like a lively exchange of views and sharing of actual experiences to create interest and curiosity about India. The best recommendations, after all, are those of friends and colleagues who have been there, done that. In the age of Facebook and Twitter, they are all over the world.

**Secondly**, we should launch an ambitious youth exchange program to create a new generation dedicated to friendship and peace, and the

ment-sponsored joy-rides. With Skype and FaceTime, it is possible to 'twin' schools and colleges in each country, and for students in the two countries to be connected well before undertaking any travel beyond their shores. It is quite feasible to generate field projects that could be undertaken by joint student teams from both countries, studying areas of common interest. Chinese and Indian students could thus jointly discover the ecological wonders of the Western Ghats, or the mangroves of the Coromandel Coast, just as they could explore the high plateau of China's Tibet Autonomous Region or search for fossil deposits in the deserts of Inner Mongolia.

**Thirdly**, we should create travel packages for the Chinese traveler, with care and attention to language, information and cuisine. Let us try novel approaches. Why not holiday offers coupled



# China-India Maritime Relations in the Asian Century

By Sourabh Gupta

Sea transport, major form of international commodity transportation, is the barometer of the global economy. As the world's first and second largest emerging economies, China and India should cooperate on sea transport to develop sustainably and fast. [Shutterstock]

In the Great Ancient Capital City of Xi'an, where the doctrine of the Mandate of Heaven was first formulated and the transcendently beautiful translations of Buddhist sutras were later produced, President Xi Jinping and Prime Minister Narendra Modi, in May 2015, re-dedicated their mutual friendship fittingly to a set of pacifist, non-interventionist principles – Five Principles of Peaceful Coexistence – that are representative of the finest manifestation of either country's philosophical and strategic traditions.

For the Buddha, the five basic precepts of morality had revolved around abstinences from harmful activity which if dutifully observed would foster a sense of consideration and tolerance towards all. In the Confucian worldview,

meantime, the moral conduct of leaders (and subjects alike) was viewed as the principal driver of history – if everyone acted morally and in keeping with their correct definition of role, the collective goodwill of all would be advanced. Culled from this tradition of Buddhist ethical universalism and Confucian political morality were the mutually reinforcing strands of responsible statesmanship and external non-intervention, which were woven together by towering Chinese and Indian statesmen of the mid-20th century into the doctrine of Panchsheel/Five Principles of Peaceful Coexistence. Nations, like individuals and families, that discharged obligations individually and obeyed norms collectively also stayed together peaceably. The Five Principles have, as part of the

body of general customary law, enriched and developed the fundamental principles of international law centered on the United Nations Charter. It must remain the essential basis that informs China-India relations, including maritime relations, in the Asian Century.

Xi'an had also once stood as a symbol of Asian commerce, communication and cosmopolitanism. It served as the western gateway to the ancient Silk Road that connected China, India, South Asia and Central and West Asia to Europe and the West. Indeed, it was theological advances in Buddhist patterns of worship, notably in creating a ritual need for certain precious stones that were worthy of possession as well as donation by the virtuous and wealthy, that had catalyzed the sub-regional and cross-regional

trading links – by land and sea – as far out as the Mediterranean. The transport of pearls, corals and other precious stones from, and via, India to China stimulated a triangular economic network where the reverse shipping of Chinese silks via India to the West by sea had balanced the overall trade.

Centuries later, as West Asian merchants and mariners established coastal trading communities from the Comoros to Guangzhou to fashion a magnificent Maritime Silk Road, South India, yet again, and Malacca thereafter served as great entrepôts for commercial exchange with China. Malacca served as a convenient trading hub along the favored route to India, and it, in 1406, along with Cochin in 1416 were two of just four foreign domains to

receive an inscription from the Ming Emperor Yongle. Malacca was also a port of call during each of the six expeditions to the Indian Ocean launched by the great mariner Zheng He which, like Indian voyagers of an earlier era, sought neither conquest, colonies or bases but offered to trade and share a culture. Economic collaboration across Asia's free seas that was neither buttressed by a military presence nor characterized by undertones of superiority was the norm and the controllers of the great port cities of Asia – Calicut, Cambay, Malacca, Hormuz – too made no attempt to coerce ships to call at their port to trade. Starting with the capture of Malacca by the Portuguese in 1511, that norm – and the golden age of sailing in the internation-

al relations of Maritime Asia – died a slow demise at the hands of state-controlled violence introduced into Asia's seas by Westerners during the ensuing Vasco da Gama age of history.

## GUIDING PRINCIPLES FOR MARITIME COOPERATION

On February 4, 2016, China and India held the first round of their 'Maritime Affairs Dialogue' in New Delhi. As these great civilizational spaces and modern-day nation states open a new chapter in bilateral maritime relations, it is instructive to distil the lessons of the earlier age.

I. Asia was one, united by bonds of commerce, culture and civility;

II. The spread of Buddhism from South Asia along the Belt and Road wove a common world of

religious-cultural ambiance and sensibility that signified both integration and cosmopolitanism;

III. China and India had once been the great originators of globalization. The political and economic architecture of such contact was never close-ended or exclusive but rather was open and inclusive;

IV. Asia's seas were genuinely *res communis* (common heritage of mankind) that belonged to all and was denied to none; these waterways were not an arena of geopolitical contestation. Further, each sovereign entertained a vested interest in preserving the freedom of these waterways and which no sovereign sought to dominate.

The key features and wisdom of the old must inform the guiding principles that shape the modern characteristics of the new in Asia's 21st Century maritime order.

**First**, China and India

must firmly tether their maritime interactions to the Panchseel/Five Principles of Peaceful Coexistence – i.e., to the principle of sovereignty and mutual respect for core/primary interests; to the concept of peace and opposition to war, war-mongering, aggression and threat of use of force; to the promotion of cooperative and collaborative (win-win) patterns of cooperation that eschew adversarial zero-sum contestation and close-ended alliances; and to the concept of justice, including the fair application of international law and principles of democracy in bilateral and regional engagements. The aim of the Five Principles is to embed China-India interests and aspirations in the maritime sphere within a cooperative, comprehensive and sustainable architecture that realizes an Asian community of common destiny.

**Second**, China and India must restore Asia's seas to

their former purpose as win-win economic passage-ways rather than arenas of zero-sum contestation. In February 2014, at the 17th round of Special Representative Talks in New Delhi, China formally invited India to join its ambitious Maritime Silk Route (MSR) project. The Narendra Modi government should actively seek out synergies with its 'Sagar Mala' port development and transport infrastructure project and exert its influence to craft the contours of MSR's South Asia blueprint to make it complementary to New Delhi's own neighbourhood policy. Further, it must not pass up the opportunity to build matching cross-border connectivity links that bind India to its periphery and integrate the latter via the Belt and the Road to global networks. By recreating the famous land and sea routes along which commerce and cosmopolitanism once traversed, 'One Belt, One Road' will also re-awaken India in no small measure to its own golden age of cross-border contact.

**Third**, China and India must continue to jointly nudge the thrust of oceanic law and global oceans governance towards sustainable economic, developmental and conservation-related ends and the relative disfavor of military and other non-peaceful uses of the sea. Both countries hold similar or identical views on foreign user state rights, particularly on military navigation and related activities, within

their exclusive maritime zones – be it innocent passage rights through their territorial seas or active intelligence gathering as well as hydrographic surveys within their EEZs. China and India should initiate a dedicated bilateral dialogue on the development of the UNCLOS (United Nations Convention on the Law of the Sea, 1982) regime, with a view to harmonizing opinions to push the perimeter of such 'threat-based' activities further away from their coastlines. Taking the long perspective, the two countries along with their Asian partners should also develop soft law that catalogues permissible and non-permissible threat-based activities in a coastal state's EEZs and thereafter seek to elevate that norm, by way of state practice over time, into the body of local customary law.

China and India should economically complement this UNCLOS policy dialogue with an agreement to share technological know-how on seabed research and mining for polymetallic nodules. A joint application to the International Seabed Authority (ISA) to secure exclusive mining rights in both the Indian Ocean and the Western Pacific could also be considered.

**Fourth**, China and India must seek out areas of strategic congruence in their Asia-Pacific-wide maritime engagements, while grappling with – and managing – their differences with frankness and sincerity. For the most part, both coun-

tries fundamentally share common interests in maritime Asia, yet would rather pursue these interests – and frame strategies – separately. Both China and India share an interest in keeping their overlapping sea lines of communication open to free navigation, yet both seek to exercise control – and leverage via the veiled threat of interdiction – over the chokepoints through which these sea lanes pass. Both China and India retain an interest in securing sea-borne access to ensure the economic viability of their landlocked, underdeveloped regions, yet both would prefer to design connectivity initiatives that run at odds with their counterpart's. Since 2014, both China's and India's navies have begun to bump-up more frequently in the proximity of each other's naval bastions (in the East China Sea, South China Sea and Eastern Indian Ocean/Bay of Bengal), yet neither has initiated a conversation on reassuring its counterpart of its intentions.

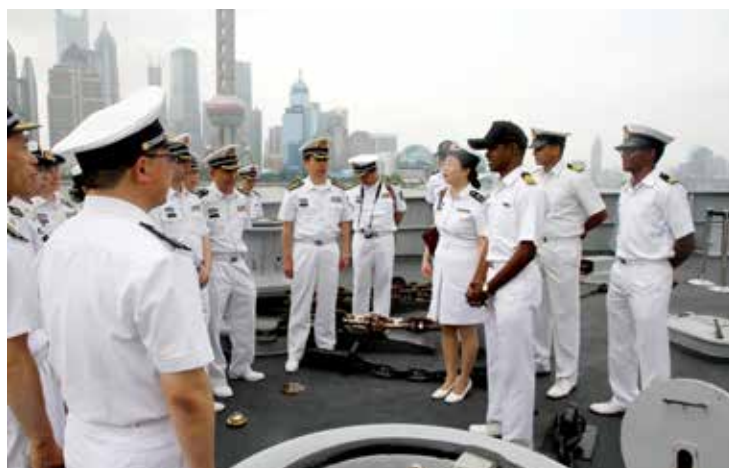
As a first step, both China and India must commit to respecting each other's 'core' or 'primary' interests in their respective backyards. To the extent that either country possesses a vital interest – be it navigational, oil and gas, or access – in the other's 'core' or primary' geographical area of interest, the former should seek to transparently communicate its purposes and intentions. Conversely, both countries must respect each other's maritime en-

gagements with third parties in Asia's seas – so long as these engagements do not impinge on the other's 'core' or 'primary' interests. To the extent that both countries seek to sanitize and secure their respective naval bastions (to ensure the future integrity of their second-strike deterrence capability), both countries bear an obligation to defer to their counterpart and keep their surface fleets at some distance from these locations. And to the extent that both countries seek to exercise control – and leverage – over the chokepoints through which the critical sea lanes of Asia pass, both countries would rather be better-off exploring a broader bargain that resists the temptation to challenge each other's growing power, influence and authority east and west, respectively, of the island of Sumatra.

Parenthetically, it bears noting that no sustained and economically significant campaign to interdict the maritime trade of a major power has been mounted since the 18th century – except in the case of a general war. A veiled threat of chokepoint interdiction, then, that is only as good as its non-activation makes for good theater but reflects poor policy.

**Finally**, China and India must functionally elevate their operational interactions across the length and breadth of Asia's seas. Much like the Wako pirate raids along the eastern seaboard had invited Emperor

June 2012: China's naval officers and soldiers board the missile destroyer Shivalik of the Indian navy during its visit to Shanghai. [CFP]





Yongle's initial turn to the sea, so also the Convoy Coordination Working Group featuring China and India among others, as part of the anti-piracy mission in the Gulf of Aden, has served as a useful initial basis for bridge-building and cooperation. Both countries must utilize this precedent to deepen navy-to-navy engagement across a range of non-traditional security missions, including notably but not limited to humanitarian assistance and disaster relief (HA/DR) activities. Ideally, such China-India HA/DR cooperation should hew to the spirit of openness and be situated, in deference to ASEAN centrality, within the emerging practice of Asian security multilateralism.

Over time, China and India should also aspire to operationally devise a multilateral, cooperative sea-lane security regime for Asia. Both countries should pick up the exploratory ideational threads of recent years in this regard and formulate a framework for a joint or cooperative sea-lane command which, again, should be housed within the emerging practice of Asian security multilateralism. The positive-sum gains from such collaborative, operational action would be a tangible expression of the willingness of Asia's major and rising powers to share the burdens and benefits of global and regional stakeholdership, while restoring Asia's seas at the same time to the *res communis* that it had once been and which



In India's southern port Cochin, a kind of unique fishing tool named "China Fishing Net" set in the sea is still being used. It is believed that the "China Fishing Net" was introduced from ancient China by trade, which is a symbol of the once-prosperous "Maritime Silk Road." [IC]

belonged to all and was denied to none. Cooperative sea-lane security will also draw the curtains down for good on that remnant of the Vasco da Gama interlude in Asia's seas, which had deliberately introduced state-controlled (threat of) violence along strategic passageways to secure politico-economic ends.

China and India stand on the cusp of a new and promising chapter in bilateral relations. The many lessons learnt during the course of interactions to stabilize their disputed land boundary offer useful pointers as they chart out a rules-of-the-road framework to guide their interactions at sea. Both countries must resolve to address each other's legitimate interests with a sense of sincerity. Both countries should prioritize peace and tranquility during the course of maritime interactions that impinge on each other's 'core' or 'primary' interests. As a measure of mutual trust is devolved,

both countries should enumerate – and capture by way of a framework agreement – a lucid set of principles-based parameters of bilateral naval cooperation that obey the injunctions of the Five Principles, is consistent with the open, inclusive, and transparent security architecture of Asia, and fortifies the on-going developmental orientation of global sea law.

To keep Asia's seas open to free passage and closed to major power contestation must ultimately form, both, the founding and the final basis for China-India cooperation at sea. Together, China and India can re-create a new regional and international maritime order that is inspired by the virtues of the old as well as embodies the promise of the new Asian Century. ■

The author is Senior Fellow of the Institute for China-America Studies.

# India

## Where Does the National Profit Flow to?

An Observation on Foreign Investment and Trade in India 1949-2003

By Zhang Wenmu

**GDP GROWTH ISN'T EVERYTHING. IF GDP GROWTH CANNOT BE EFFECTIVELY TRANSFORMED INTO NATIONAL INCOME AND NATIONAL WEALTH, THE GROWTH MAY EVEN CAUSE HARM TO A COUNTRY'S DEVELOPMENT.**

In recent years, India's high GDP growth has attracted global attention. It seems that it is inevitable that India is becoming a great power. However, does high GDP growth rate necessarily mean a sustainable development of Indian economy? The author carefully examines the statistics of foreign investment and trade in India since the country gained independence nearly six decades ago. He pointed out that India's national economy has been heavily relying on foreign capital, foreign trade deficit has been staying at a high level, and the country was incapable of accumulating wealth effectively. All these factors hindered the sustainable development of Indian economy. Economic development shows path-dependent features, and previous economic figures can somehow showcase India's existing structural problems. Thus, India's successful rise still faces great challenges and poses thought-provoking questions.

Some people may ask these age-old questions: Why India, which has been witnessing fast-growing GDP growth rate in recent years and accumulated considerable national wealth, didn't see any progress with poverty alleviation? Why India, after developing for more than half a century, still has such a large poverty-stricken population? As for the question "Where did the increased income go?" raised by India's first Prime Minister Jawaharlal Nehru (1889-1964) in 1960, people still need to search for answers today.

Research on India's economic structure and corresponding allocation structure reveals that except necessary accumulation for agricultural and industrial reproductions, the basic living allowances provided to the poor by the government, and public expenditure such as defense spending, a large proportion of India's annually increased profits goes to developed countries in the West, through asymmetric foreign trade and regurgitation-feed-in with these countries.

India's enormous poverty-stricken population led to the continuous shrinking of its domestic market, which compelled the country's large capitals to seek and rely on overseas markets and international capitals. As a result, a profit-exporting pipeline, which was virtually a profit reverse cycle with international capital centers, has been installed in the Indian national economy. And, India's departments of foreign capital and trade served as the major players to push

forward this profit reverse cycle process.

Capital's globalization process divided the world into two parts: the capital center and capital periphery. For countries belonging to the latter group, if they want to achieve independent development and don't want to follow the practice of some socialist countries such as the former Soviet Union and China, which eliminated private ownership, withdrew from the world capital system temporarily, and developed in a comparatively enclosed environment, they are often faced with fatal difficulties on capital and foreign exchange shortages at the initial phase of their modernization.

To solve the problem, one solution is to simplify property rights structure. In this way, property transactions cost, which is included in the price of products, will be reduced. With reduction in domestic consumption, increase in export, and restricted import of consumer goods, the income of foreign ex-

change will steadily increase and the abilities to purchase and absorb foreign technological products will be enhanced. However, this practice can easily be carried out in countries with simple property right structures, with public ownership as the mainstay.

There is another solution. Since private ownership remains and cost of social revolution, therefore, is reduced, development cost has thus increased. To resolve the abundant disputes over private property rights, massive money supply is required, resulting in the dependence on international finance. Understandably, national economy will be easily trapped by the double snare of international debt and external deficit.

If the domestic market is small and continues to shrink, the national economy will depend more on international capital, resulting in the profit-reverse cycle relationship with international capitals as the major profit gainers. In

this relationship, the development of a nation becomes exactly the factor that hampers its development.

### DEPENDENCE ON FOREIGN CAPITAL

After it gained independence in 1947, India began to accept external financial aid, with the aim of covering the deficiency of domestic savings, generating foreign exchange earnings, and increasing technology import. With the rise of investment rate, India's foreign exchange expenditure increased, which quickly exceeded the country's fiscal capacity. Beginning from 1972, India has been facing serious foreign exchange crisis. Thus seeking foreign aid has, in a way, hampered the country's development.

Improper use of financial aid can easily lead to foreign debts. Statistics from the chart below reveal that financial aid had gradually become a kind of burden for India. In the 1972-73 and 1978-79 financial years, India's repay-

ing capital with interest accounted for more than 80 percent of its foreign aid, resulting in decreases of net foreign financial aid on year-on-year basis. Of all the 18 financial years listed in the chart, in 14 years, India's repaying capital with interest surpassed half of the total sum of foreign aid. From 1969 to 1989, while the total inflow of net international aid to India has increased, its proportion in India's foreign aid has dwindled, from 54.2 to 44.3 percent. And, of India's external debts, about one thirds was repaid as interest.

From 1990 to 2003, inflow of foreign capital to India already exhibited distinct features of profit-reverse cycle. The ratio of the total sum used to repay debt in the total foreign aid sum soared to around 80 percent from the previous 68 percent. During the same period, the ratio of net inflow of total foreign aid plunged from 32 to 20.7 percent. These facts indicated that the foreign aid India received annually no

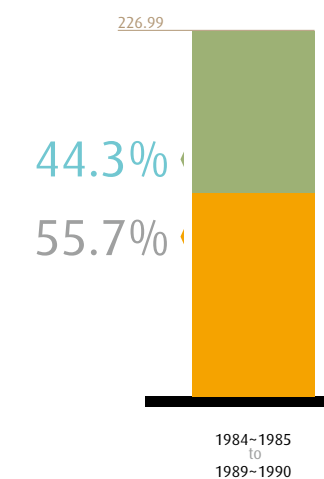
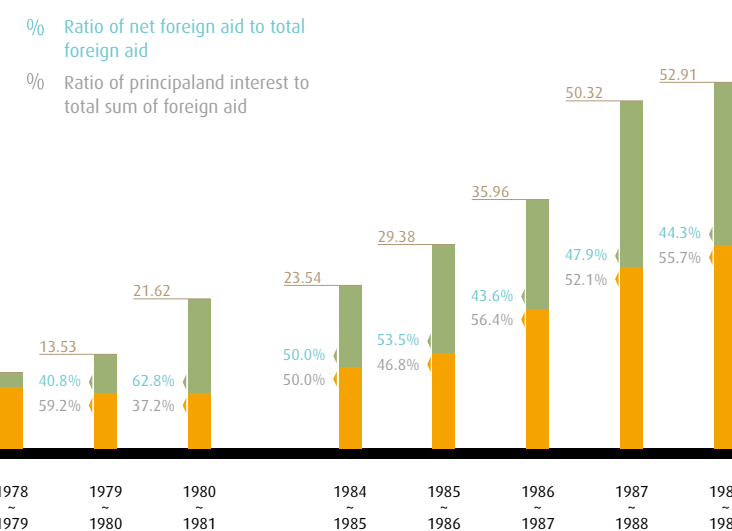
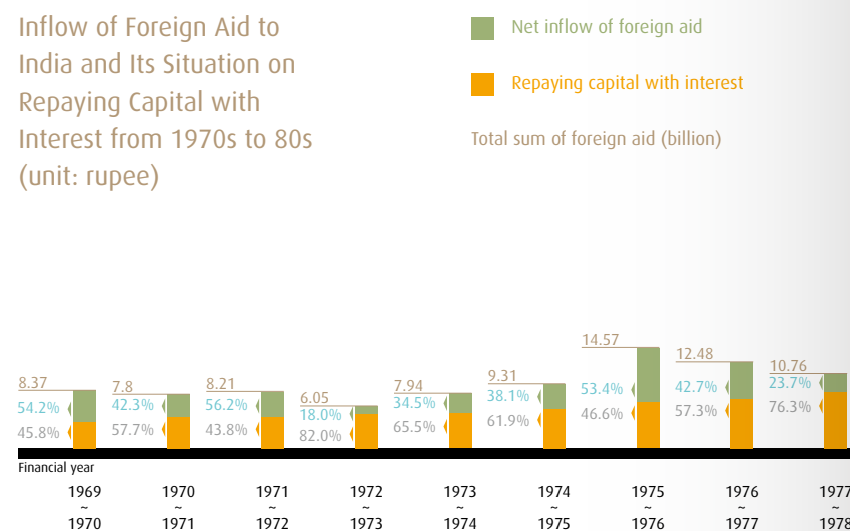
longer played a positive role, but became debt burden gradually.

From the very beginning, India's modernization moves ahead with high exploitation by international capital. Due interest, which accounted for half of its debt and was always required to be repaid on time, greatly weakened the effect of the foreign aid India received.

Increased amount of interest is the result of India's demand on high-interest commercial loans. From 1991 to 2003, the medium-and-long-term governmental foreign loans India received increased by 2.1 times, while non-governmental loans increased by 4.2 times, and commercial loans increased by 4.4 times, which were all high-interest debts without favorable terms.

It is worth noting that since India carried out its first nuclear test in 1974, loans to India from International Monetary Fund (IMF) stopped abruptly, leading to a sharp rise of India's commer-

Inflow of Foreign Aid to India and Its Situation on Repaying Capital with Interest from 1970s to 80s (unit: rupee)





cial borrowings. The phenomenon indicated that under international political pressure, instead of becoming more independent, India's international dependence became even greater and addictive.

### THE CORE OF TRADE DEFICIT

India's foreign trade is another sector that pushed forward the country's profit-reverse cycle.

After it gained independence in 1947, India's land reform failed. Constrained by backward production relations, India's agriculture experienced ongoing shrinking. Decline in agricultural production further restricted its industrial market. As a result, India began to import a large number of industrial products from the West. However, since its industrial productivity had been constrained by the gradually shrinking domestic market, India also failed to absorb Western technologies. Thus, primary commodities with low additional value constituted a major part of India's exports, resulting in a skyrocketing trade deficit and a degrading status in international trade.

Shortly after India gained independence, the country began to face chronic trade deficit, and foreign exchange, which was in great need then, witnessed shortage. Beginning from 1966, India began to implement its annual plan. In June of the same year, India devalued its currency by 36.5 percent to boost export. Almost at the same time, the government an-

nounced a free-import policy which would be implemented in 59 sectors, but the situation hadn't been improved. From 1965 to 1967, India's trade deficit soared to 9.21 billion rupees from the previous 5.99 billion. The 1968-69 financial year witnessed a harvest, which led to a cut-down on grain import and a significant decrease on trade deficit. The 1972-73 financial year saw India's first trade surplus of 1.04 billion rupees since its independence. The 1976-1977 saw another trade surplus, but only with 680 million rupees. In the 1978-79 financial year, the last year of India's fifth five-year plan, the international oil crisis made India's trade deficit rise further. The situation propelled the Indian government to apply huge loans from IMF, but its trade situation continued to deteriorate. Since then, India's trade deficit has been out of hand, surging from 27.25 billion rupees in the 1979-80 financial year, the first year of India's sixth five-year plan, to 420.69 billion rupees in the 2002-03 financial year. In particular, during the 53 years from 1950 to 2003, India's foreign trade only saw favorable balance in two years, an unbelievable "miracle" in the economic development history of the world's major countries. This situation cannot be reasonably explained only by "positive expansionary fiscal policy."

The fundamental reason for India's long-term external deficit lies in its economic structure rather than its policy. During specific time

periods, especially the initial stage of a country's modernization when large-scale imports of advanced international technologies are necessary, and the period when a country tries to realize leapfrog development by using second-mover advantages, trade deficit is good for a country. However, if trade deficit runs through the whole process of a country's economic development, it becomes a problem that calls for structural adjustment rather than policy adjustment.

The problem of economic structure, if it is only a problem of industrial structure, can be solved through reform. However, if it is a problem of skeletal structure generated by relations of production which started to exist when the country began its construction, the structure cannot be changed after the country grows up, unless there takes place social revolution. Since the structure decides profits, it also decides a country's development mode.

### PROFITS FLOW TO CAPITAL CENTERS

India's financial deficit, international payments deficit, and trade deficit is long standing and continues to expand, which is quite different from the U.S. and Britain where similar situations also exist. The U.S. and Britain possess huge market potential and international market shares, their deficits can expand production scales in the next year, and help national wealth generate capi-



November 29, 2013: Traffic crosses an intersection in front of the Platina building, developed by the Wadhwa Group, in the Bandra Kurla Complex in Mumbai, India. India's slowing economy has left its big cities with a glut of office space, pushing up vacancy rates, freezing development and prompting some builders to convert commercial projects into housing. [CFP]

tals for expanded reproduction in markets.

India is different. During its first two five-year plans, India imported a large quantity. However, these imports hadn't been turned into capitals and production capacity, and the country failed to produce exports based on technology application and innovations in the next a few five-year plans. On this subject, readers can get a glimpse from the formation of India's major import and export commodities.

India's biggest increases on imports in the three decades were oil products which were in great need in the country and machines which contained comparatively advanced technologies. The increase in import of oil products was related to the oil crisis from late 1970s to early 1980s, and the 1990-91 Gulf War. And the increase in import of machines was related to India's dependence on Western technologies. This dependence inevitably led to India's import of high value-added products from

the West and export of low value-added products, and caused price scissors.

From 1960s to 1990s, India's largest exports in sequence were handicrafts including jewelry, textiles and garments, chemicals, engineering equipment, steel, construction machinery, leather and yarn and their finished products, and tea.

This situation showed that the industrial products India exported only carried low-end technologies. Export of low value-added products and import of high value-added products caused price scissors. And India's long-standing and ever-expanding international payment deficit is the direct result of the international price scissors.

If we say that the price scissors between agriculture and industry during China's planned economy period was for China's primary accumulation for its basic construction, the long-existing price scissors between India and Western countries is a major manifestation of India's

profit-reverse cycle to the West in trade. During the seemingly equal exchange process, India has provided super profit to the West. This regurgitation-feeding to capital centers made India lose the potential for sustainable development and made its domestic market gradually shrink.

Nowadays, when people talk about India's development potential, they always list a number of impressive statistics of India's GDP growth rate in recent years, and try to prove that "it is still possible that India becomes a world economic giant in the first half of the 21st Century." However, GDP growth isn't everything. If GDP growth cannot be effectively transformed into national income and national wealth, then except maintaining employment, the growth may even cause harm to a country's development. ■

The author is a professor with Strategic Studies Center, Beijing University of Aeronautics and Astronautics.

# Make in India vs. Made in China

By Yang Wenwu and Mukesh Kumar Verma

ALTHOUGH INDIA'S FAST-GROWING MANUFACTURING INDUSTRY HAS DRAWN WORLDWIDE ATTENTION, IT STILL FACES MANY IMMEDIATE CHALLENGES.

After Prime Minister Narendra Modi took office in 2014, the government of India initiated the "Make in India" program in a bid to relieve employment pressure, increase the ratio of manufacturing in its national economy, bolster economic growth, diversify exports, and improve Indian products' international competitiveness.

To date, the "Make in India" program has received positive response from multinational companies investing in India, including Mentor, Samsung, and General Motors.

Early this year, Chinese electronics giant Foxconn announced it would establish

the world's largest OEM manufacturing park in Andhra Pradesh, India. Whether "Make in India" will surpass "Made in China" has become a hot topic.

## CHALLENGING "MADE IN CHINA" WITH "MAKE IN INDIA"

India's manufacturing has constantly grown in recent years. According to statistics released by the World Bank, the incremental value of India's manufacturing sector amounted to US\$ 344.563 billion in 2015, accounting for only 10.06 percent of that of China, which stayed at nearly US\$ 3.25 trillion.

The World Bank statistics also show that the

incremental value of China's manufacturing industry made up 33 percent of its GDP in 2015, while the figure was only 13 percent for India, much lower than the goal of 25 percent set by Modi in a speech he made early this year. This implies that manufacturing plays a much more important role in China's national economy than in that of India.

Currently, China occupies a position in the middle of the global manufacturing chain, while India is still at the low end. In this context, the government of India formulated the "Make in India" program, hoping to catch up with and even surpass "Made in China"

through a series of incentive measures.

## ADVANTAGES OF "MAKE IN INDIA"

In order to attract domestic and foreign investors, especially multinational manufacturing giants, to invest in India, the Modi administration has conducted economic reforms through measures such as implementing tax reduction and exemption, improving infrastructure, revising the Labor Act, reducing operation costs, providing enterprises with allowances, setting up special economic zones, protecting domestic manufacturers, and prompting exports.

As the world's second largest developing country, India is one of the fastest-growing economies and has obvious advantages in expanding its manufacturing industry.

First, India's abundant, cheap labor increases the cost advantage of "Make in India." According to *World Development Indicators*, people aged between 18 and 64 accounted for 66 percent of India's total population in 2015 (the figure was 73 percent in China). It is estimated that India's labor population will increase by 110 million in the next 10 years, while the number of China's laborers between 20 and 24 will decrease by 30 percent.

Moreover, India has long been among countries with the lowest labor costs.

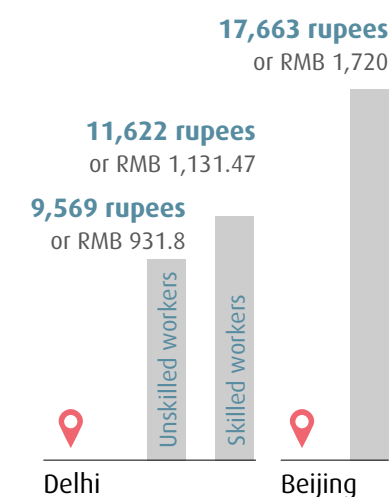
Considering India's abundant labor force and

comparatively low labor costs, those labor-intensive industries with low technological thresholds, such as textile, clothing, and shoes manufacturing, will have a strong potential for growth in India. Such a situation is helpful for India to develop an export-oriented economy.

Second, the considerable purchasing power of Indians arising from the country's impressive growth has created a favorable economic environment for promoting the "Make in India" program. A recent nationwide survey in India indicates that the country has 69.11 million middle-income households. Assuming that each household has four members, India's middle-income population is expected to amount to 280 million. "India's consumer goods market is conservatively estimated to double and reach US\$3 trillion by 2030," predicts renowned capital economist Shah.

Third, India's comparative-

## Minimum monthly wage



ly complete industrial system has laid a solid foundation for the fulfillment of the "Make in India" program. When ruled by the British, India had textile and mining as its mainstay industries. After Independence, the leadership headed by Jawaharlal Nehru made up its mind to build India into a great industrial power and set industrialization as a major objective for its economic development. Through more than five decades of effort, India has formed a complete industrial system comprising industries such as nuclear power, electricity, electronics, energy, metallurgy, machinery, chemicals, textile, medicine, food, precision instrument, automobile, software, aviation, and space exploration.

Fourth, India's developed IT industry helps sharpen the technological edge of its manufacturing industry. The country boasts a comparatively developed service industry, which occupies a significant position in its national economy. Thanks to its advanced IT industry, in particular, India has been dubbed the "world's best back office." After taking office in 2014, Prime Minister Modi has taken positive industrial policies to stimulate India's economic and social development through promoting manufacturing and IT industries. The application of advanced information technologies has not only facilitated the optimal allocation and efficient operation of resources for Indian manufacturing enterprises, but also improved the economic returns and comprehensive



competitiveness of its manufacturing industry. Furthermore, India pays great attention to the protection of intellectual property rights. As a result, many multinational giants including General Motors, Boeing, and Mobil have set up research centers in India.

Finally, English is the second official language of India, and a large amount of Indians have received English education, which makes it easier for the country to be integrated into the international community. India adopts a policy to promote elite education, so Indian senior executives are globally acclaimed for their

extraordinary abilities, evidenced by the fact that Indians make up the largest proportion of foreign high-ranking executives in the Top 500 Companies of the United States.

### A LONG WAY TO GO

Although India's fast-growing manufacturing industry has drawn worldwide attention, it still faces many immediate challenges.

Strict labor regulations are a bottleneck that impedes India's manufacturing development. At present, India has more than 50 labor regulations formulated by the Central Government as well as over 170 labor regulations enacted by local governments. Though these are for better protecting the rights of labor, the rigorous regulations, to some extent, block the development of India's manufacturing. Prime Minister Modi called for a revision of the current Labor Act and suggested that factories with less than 300 employees no longer need government permission when they intend to cut jobs. However, the suggestion was met with objections from wide sections, which saw in it a violation of the interests of workers.

In 2014, two Toyota factories in Bidali shut down for 36 days following a strike arising from the Japanese automaker's decision to lay off some 700 contract workers due to the rise in labor cost. This caused the company's production capacity in India to drop by

40 percent, thus prolonging its product delivery period. In September 2015, a massive strike involving 150 million workers swept across India.

Moreover, India's underdeveloped infrastructure cannot satisfy the demand of its manufacturing industry. Infrastructure in many parts of India remains in an elementary stage due to lack of funds over a long period, and this poor infrastructure has become a bottleneck which is impeding the development of the country's manufacturing industry and is undermining the potential of the economy. With only three percent of its GDP invested in infrastructure construction, India has long suffered a fund shortage in the field.

In addition, the overall low education level of Indians results in shortage of high-end laborers in the manufacturing industry. Despite the fact that Indian elites are recognized internationally, the ratio of the population that has received higher education remains comparatively low, causing a shortage of qualified executives in its manufacturing sector. Meanwhile, it also lacks skilled workers. Considering that three-fourths of India's population lives in the countryside, about 75 percent of the industrial workers come from rural areas. It will take time for them to become qualified, experienced workers.

In the short run, India's manufacturing faces

challenges greater than opportunities, and problems more than achievements.

### MAKE IN INDIA: AN OPPORTUNITY OR A CHALLENGE FOR CHINA

Looking back upon the global shifts of the manufacturing industry, we can conclude that the world's manufacturing center has consecutively moved from Britain, the United States, Japan, and Germany to today's China.

Since China implemented its reform and opening up in the late 1970s, "Made in China" has shifted from imitation to innovation. In the process, the country has formed its own industrial and technological innovation system in a bid to become a great manufacturing power in

the world.

Modi launched the "Make in India" program in New Delhi in September 2014. There is little possibility for "Make in India" to surpass "Made in China" in the near future. Even when India's manufacturing industry grows big enough to compete with its Chinese counterpart, their competition will feature structurally differentiated development. The two will seek cooperation even while competing with each other.

Of course, the rise of India's manufacturing industry will affect its Chinese counterpart.

First of all, some foreign investments will shift from China to India. The Indian government has eased restrictions on foreign investors and adopted a series of preferential policies to



July 3, 2015: Employees inside a garment factory of Orient Craft Ltd. in Gurgaon on the outskirts of New Delhi, India. [REUTERS]



attract investments. This will help India transfer its low-end industries abroad and upgrade its position in the global industrial chain. Given the increasingly growing labor and land costs in China many labor-intensive companies that initially intended to invest in the country, such as Play-Doh, Monopoly, and Hasbro, have shifted their sights to India.

In addition, the rise of India's manufacturing industry adds pressure on restructuring and upgrade of China's manufacturing sector. Although it now contributes nearly 20 percent of the global manufacturing industry, China isn't still a great manufacturing power. "Made in China" must shift to "Created by China". In the process, China faces double pressures as high-end manufacturing is shifting back to developed countries and middle- and low-end manufacturing is diverted into other developing countries like India.

There are also positive factors, of course.

First of all, the "Make in India" program creates



November 7, 2015: Employees work on the engines of Toyota cars inside the manufacturing plant of Toyota Kirloskar Motor in Bidadi, on the outskirts of Bengaluru, India. [REUTERS]

opportunities for Chinese enterprises to invest in India. Chinese companies can, on the one hand, explore the Indian market through establishing wholly-funded firms or joint ventures in India, and on the other, gradually transfer to India some of its excess industrial capacity in areas such as household appliances, communications equipment, and clothing, which have greater potential in the Indian market. Meanwhile, the "Make in India" program helps to relieve the trade imbalance between China and India. With the increase in the number and size of its manufacturing enterprises, India is expected to reduce its imports of Chinese-made industrial products, which will to some extent reduce India's trade deficit against China.

Whether the "Make in

India" program will go smoothly largely depends on the wisdom and capabilities of the Indian government. It is predictable that with the implementation of the program, foreign direct investments will further increase in India, and the country's industrial structure will be further adjusted, and more job opportunities will be created, thus considerably expanding the global share of India's manufacturing industry and accelerating the country's economic growth. ■

Yang Wenwu, a Ph.D. in Economics, is vice director and a doctoral tutor of the Institute of South Asia Studies, Sichuan University and a council member of the Chinese Association for South Asia Studies. Mukesh Kumar Verma is an Indian doctoral student at the Institute of South Asia Studies, Sichuan University.

# India as the Next Global Manufacturing Center

## Prospects & Problems

By Iftikhar Gilani

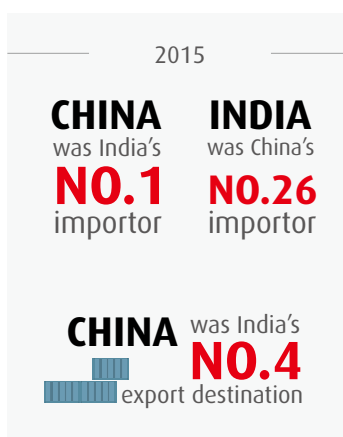
Since Prime Minister Narendra Modi riding on a massive electoral mandate assumed office two years ago in May 2014, his single biggest focus has been to revive the economy. The main pillars of economy in India are manufacturing, agriculture and services. While China has focused on cheap, high-volume commodity production, India has seen high growth in the services sector. For many years, India has harbored the hope of being in the forefront of economic growth, but its attempts kept faltering as coalition governments held

back much-needed reforms for nearly 25 years.

The Indian economy, which grew at a nearly double-digit rate in the middle of the last decade, slowed down to 5.08 percent in 2012 before recovering to 7.2 percent in 2015. Flagship initiatives like Make in India, Skill India, Startup India coupled with a second wave of FDI reforms allowing 100 percent inflow into civil aviation and food processing sectors while also easing norms in defense and pharmaceuticals are all aimed at making India the next global manufacturing hub. To support this goal, the Modi government has also

begun work on connecting major metros under Diamond Quadrilateral Rail Corridor project, cleaning north India's major river, the Ganga, to make it navigable and building 100 smart cities.

Though, various policy interventions have helped India to improve its position on the World Bank's Ease of Doing Business index by climbing 12 spots to 130th, it is still a faraway proposition to be presented as a model to the world, considering that Mexico ranks 38th, Russia 51th and Pakistan 138th. Amitabh Kant, who just retired as secretary of the Department of Industrial





Policy and Promotion, the key agency for the “Make in India” initiative, says India will break into the top 50 within the next two years. Enumerating the steps that government has taken over the past two years, Kant, the man behind Modi’s economic reform programs and now Chief Executive Officer of Niti Aayog which replaced the all-powerful National Planning Commission, points out that: right from creating a single window facility for addressing investor concerns, identifying key manufacturing sectors to creating a common platform to unite state governments, bureaucracy and corporate leaders, the government has shown seriousness of intent to raise India’s “ease of doing business” rank internationally. Overhauling complex compliance procedures and reforming archaic labor laws will put an end to institutionalized corruption and encourage entrepreneurship. Easing the FDI norms in construction, rail infrastructure and defense is only the beginning of a series of positive signals.

Despite intentions to scale up manufacturing since 1991, industry’s contribution to the GDP has declined. The challenge for manufacturing in India has been that it lacks linkages. The lack of infrastructure pushes up the logistics cost, which is 14 percent of GDP, one of the highest globally. Despite several attempts, India has not been able to build adequate roads, ports and railways to move goods and raw materials. Two years ago, farmers in the

northeastern states had to sell their bumper crops at below cost because there was not enough transport capacity to move their produce to other parts of the country. A businessman in an industrial area on the outskirts of the national capital Delhi said that a consignment which he had ordered from China reached Mumbai port in 12 days. But, he lamented, pointing towards a huge cargo truck parked near his factory, that it took 20 days to reach Delhi.

The idea of promoting manufacturing was also to ensure that India’s demographic dividend finds meaningful employment. But, so far, labor conundrum has ensured that in labor-intensive manufacturing, China, Vietnam and other East Asian countries have a massive lead. With 65 percent of the population below the age of 35, India boasts of an unparalleled generational dividend and a natural future manufacturing destination. But, as former central home secretary G.K. Pillai told this youth bulge could prove to be a demographic disaster, if proper employment opportunities are not created in time. He added that the youth bulge combined with several non-military security threats in the form of bad governance, illegal migration, cyber terrorism, environmental degradation, climate change, organized crime and counterfeit currency rackets was a perfect recipe for disaster in the coming years.

Between 2016 and 2030, India will add 241 million



June 29, 2016: Employees work on an assembly line of Honda Motorcycle & Scooter India during a media tour to the newly inaugurated second assembly line at the manufacturing plant in Vithalapur in the western state of Gujarat, India. [REUTERS]

people to the population of workers. China is way behind, adding just 10 million during the same period. There are also concerns at the surplus male population, as the sex ratio in the country has dropped to the lowest level since Independence in 1947. “An unskilled, underutilized, frustrated young population will derail economic growth, undermine harmony and breed violence,” warns the prominent Hyderabad-based civil rights activist Jayaprakash Narayan.

To address to this challenge, which besides economic could become a security challenge as well, the Modi government has come up with Skill India and Startup India campaigns along with the supportive “Make in India,” “Digital

India” and core infrastructure development schemes. The “Skill India” program is to make youth skilled for better industry positioning. The government aims to train more than 400 million people by 2022. In a country where success or failure of monsoon decides the fortune of half of the population, even some basic level technological training to framers could work wonders. According to the latest National Sample Survey Office data only 2.2 percent of people in the 15-59 age group have formal vocational training and 8.6 percent have non-formal vocational training. In comparison, the skilled manpower population in developed economies is: UK – 68 percent; Germany – 75 percent, the U.S. – 52 percent and Japan – 80 percent. Currently, industries across sectors are facing shortage of skilled manpower, and they spend heavily on training manpower for specific purposes. The “Skill

India” campaign will ensure that youths get industry specific training and find a suitable job.

The success of “Skill India” is linked to another flagship program called Startup India. India has an extremely strong entrepreneurial culture with more than 48 million small businesses. However, in terms of value creation India stands nowhere near the iconic Silicon Valley. “Ideas are abundant in this country with strong consumer base of 1.25 billion people, but the missing ecosystem to incubate those ideas and lack of support system to scale it up make it challenging for entrepreneurs to create value,” said the Prime Minister when launching this initiative.

The “Startup India” campaign could be a game-changer for the country where more than 90 percent of the over 460 million workforce is part of the unorganized sector. Currently, India’s micro, small and medium enterprises (MSME) contribute nearly 8 percent of the country’s GDP, 45 percent of the manufacturing output, and 40 percent of the country’s total exports. In the fast growing economy, even small institutional support could trigger entrepreneurial activity leading to major socio-economic transformation. Small businesses in India create 1.3 million jobs every year, and innovation and creativity driven startup push could double this number in the shortest possible time.

Experts here, however, believe that the main factor

in China’s success was its investment in health and education that provided fuel to its explosive growth. India has under-invested in these key areas and, hence, its economic growth is poorly supported by quality human capital. They say, there are several factors because of which India has not been able to develop into a manufacturing superpower. These include erratic and deficient power supply, inadequate logistics and transport facilities, stringent labor laws, lack of transparency on processes and clearances, lack of investment in R & D and strategic planning, political interests, land disputes and, to top it all, the mindset of people who prefer white collar jobs. Also to be factored in among these negatives are innumerable levies and laws, which stand in the way of setting up projects, and the monster corruption and unending scams that put off global investors.

The longest wait, however, has been for tax reforms which can improve the country’s competitiveness. But first, the government has to break the political logjam enabling crucial legislation through Parliament. That would pave the way for a uniform goods and services tax, intellectual property rights policy and a bankruptcy code, all of which the industry has been waiting for long.

The government of India has set an ambitious target of increasing the contribution of manufacturing output to 25 per cent of the GDP by 2025.



Currently, it is 16 percent. India's manufacturing sector has the potential to touch US\$ 1 trillion by 2025. There is potential for the sector to account for 25-30 per cent of the country's GDP and create up to 90 million domestic jobs by 2025. Business conditions in the Indian manufacturing sector continue to remain positive. With the help of the "Make in India" drive, India is on the path of becoming the hub for hi-tech manufacturing as global giants such as GE, Siemens, HTC, Toshiba, and Boeing have either set up or are in the process of setting up manufacturing plants in India, attracted by India's market of more than a billion consumers and the surge in purchasing power.

The government of India has also an ambitious plan to locally manufacture as many as 181 products. This move could help infrastructure sectors such as power, oil and gas, and automobile manufacturing that require large capital expenditure, and revive the Rupees-1,85,000-crore (US\$ 27.14 billion) Indian capital goods business. An official who visited China along with President Pranab Mukherjee earlier this year said that big Chinese business groups – such as Shanghai Automotive Company, Chint Group (that deals in renewable energy proposes to invest US\$ 1.5 billion in India), Sopo Group, Dingshen (manufacturing sector that could create 3,000 jobs), and Shanghai Electric Company – have plans to make substantial investments in India. Besides, CFLD desires to set up 10



February 17, 2016: An instructor (L) teaches newly appointed workers during a media tour to the newly inaugurated Honda Motorcycle & Scooter India plant at Vithalapur town in the western state of Gujarat, India. [REUTERS]

industrial parks in India and has applied for loans from BRICS Bank. He further said that the Alibaba Group would raise its stake, from 30 to 70 per cent and may also tie up with the government's Mudra Bank. "We can expect Chinese investments in India over the next few months to surpass their total investments made during the past year," he said. The world's third-largest smartphone maker, Huawei, is considering plans to set up its manufacturing unit in India, while China's top car maker, SAIC Motor, is planning to take over U.S. car maker General Motors' facility in the western state of Gujarat.

The state power utilities of Rajasthan, Madhya Pradesh and Tamil Nadu have awarded Supervisory Control and Data Acquisition Systems

(SCADA) implementation of 17 towns to M/s Dongfang Electronics, a duly empaneled company from China under the Restructured Accelerated Power Development & Reforms Program (R-APDRP). Huawei Telecommunications (India) Private Limited has been given security clearance by Ministry of Home Affairs (MHA) to set up a unit for electronics/telecom hardware and support services in Sriperumbudur, in the southern state of Tamil Nadu.

He further said that given the glut in the Chinese economy, the industrial and business groups are looking more keenly at India as a prospective market. States with better environment and infrastructure – Gujarat, Andhra Pradesh, Tamil Nadu and Maharashtra – are on the

radar of Chinese investors.


He explained that investments from China are the key to reduce the growing trade gap between the two neighbors. However, he also rued the fact that delay in business visas to Chinese nationals is delaying investments in India notwithstanding demands for FDI from the Modi government to boost the economy and create more jobs faster.

India-China bilateral trade, which was as low as US\$2.92 billion in 2000 reached US\$41.85 billion in 2008, making China India's largest trading partner in goods. By 2015, bilateral trade stood at US\$70.4 billion. India's exports to China touched US\$ 8.86 billion, whereas China's exports were US\$ 61.54 billion. In 2015, the trade deficit was at US\$ 52.67 billion. Investment from Chinese firms in India in 2015

totaled US\$870 million – a six-fold increase compared to the previous year.

Investors and industrialists, however, still find bureaucracy a major stumbling block to ease of doing business. Even though, Modi government has come up with the institutional mechanism of a Project Monitoring Group (PMG) working directly under his office for resolving a variety of issues including fast tracking the approvals for setting up and expeditious commissioning of large public, private and public-private-partnership (PPP) projects, radical changes are still needed at the level of bureaucracy to end corruption and execute citizen and investor-friendly policies.

The prime minister had begun well by meeting the secretaries but not his ministers. But somehow, the bureaucracy, after a

while, started ignoring the ministers, as they had direct access to the prime minister's office. However, the bureaucracy has still not got out of the "officer culture" that they have been used to for decades, which shows that the role and orientation of the civil services have to change. Bureaucrats need to give up the role of 'administrators' and work on becoming 'developers.' A policy analyst Rajendra P Gupta writes that the British Raj-era kind of bureaucracy and its officer culture was the biggest obstacle to implementing the vision of the Modi government. Until this is attended to and radical changes are made, India's dream of becoming a major manufacturing hub will remain a pipe dream. 

The author is an award-winning writer and National News Bureau Chief of DNA in New Delhi.



September 2015: India exhibitors participate in Xi'an Silk Road International Tourism Expo. [CFP]

# Chinese in the Eyes of Indians & Indians in the Eyes of Chinese

Edited by Qiao Zhenqi

Sino-Indian relations is a topic that raises people's expectations but is also complex and unpredictable, yet we have enough reasons to believe that the key to sound relations between states lies in the affinity between their people.

Leaders of both China and India attach great importance to bilateral exchanges between their people. During President Xi Jinping's visit to India in September 2014 and Prime Minister Modi's visit to China in May 2015, the two sides reached an important consensus to further Sino-Indian non-governmental exchanges.

The two countries' effort to promote bilateral cultural exchanges between the two peoples does not happen as expected is due to the lack of both governmental and non-governmental exchanges and mutual understanding. This is mainly reflected in the few numbers of students, tourists, and citizens in the other country, and it is the same problem when we mention the number of people that is learning or has an understanding of the other country's language. Former Chinese ambassador to India Le Yucheng pointed out that strengthening exchanges between the two sides in various fields and accelerating the filling of the cognitive gap are an important and urgent task we face. Therefore, a survey about Chinese in the eyes of Indians and Indians in the eyes of Chinese has

both theoretical value and practical significance.

The Horizon China Group launched such a survey in 2013 in the two countries. This is the first poll launched by a Chinese private professional research institution on such a topic. Results were based on the feedback of 1,015 Chinese and 661 Indians. In those that submitted to the survey, more than 60% of Chinese believe that India shows a promising future, Sino-Indian relations are important for Chinese, and they have many common interests and should cooperate to achieve win-win cooperation. In the interview with the people of India, over half believe that China will become the world's political leader in 2050. Nearly 90% of people look forward to coming to China as tourists or do business. Generally speaking, the survey data show that China and India are eager to enhance mutual understanding and strengthen cooperation to achieve win-win situation.

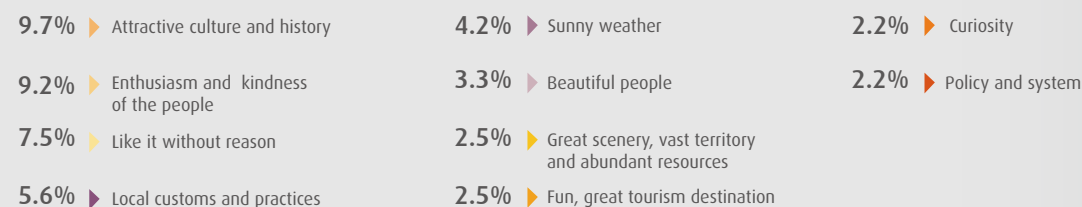
Increased mutual understanding between the peoples will result in less misreading and misjudgment, and will also further strengthens their diplomatic relationship. People have more expectations for good Sino-Indian relations but things are also complex and unpredictable. However, we have enough reasons to believe that the key to a sound relationship between two states lies in the affinity between their peoples.

# India in the Eyes of Chinese

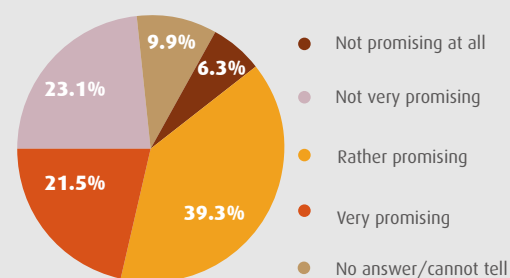
## Why do you like India?



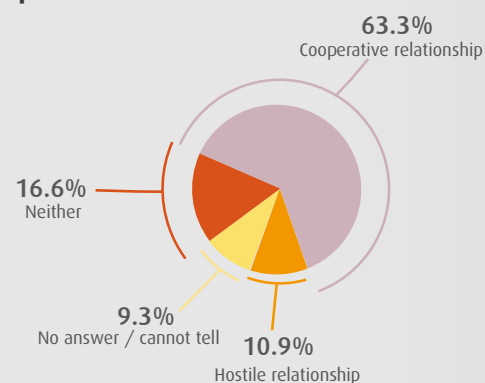
Representative voice



## Generally speaking, what do you think of the future development of India?



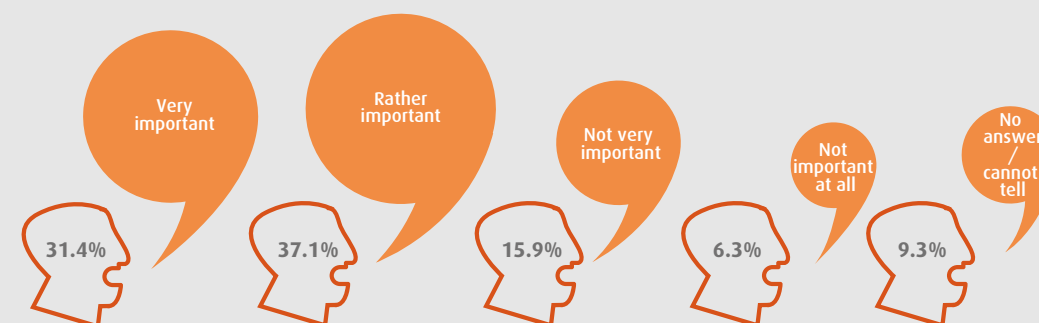
## Generally speaking, do you think the relationship between China and India is a cooperative or a hostile one?



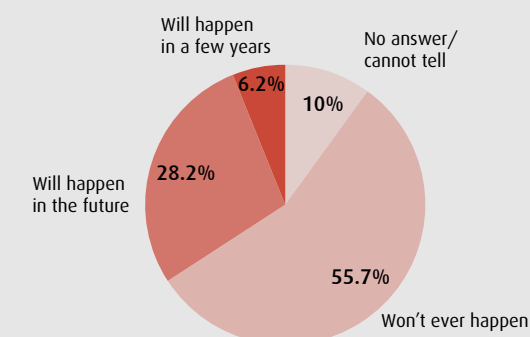
## What channel(s) are your main source(s) to information about India or its relationship with China?



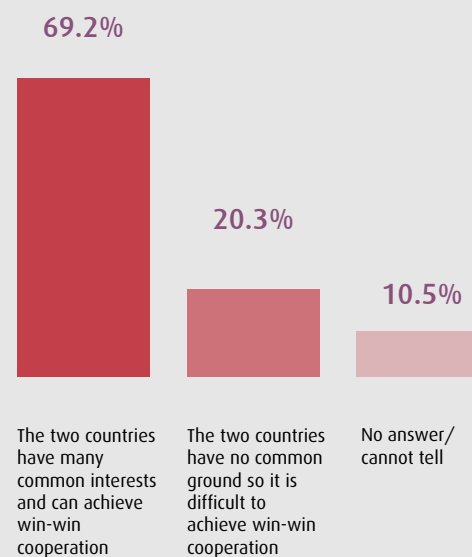
## The importance of Sino-Indian relationship for China?



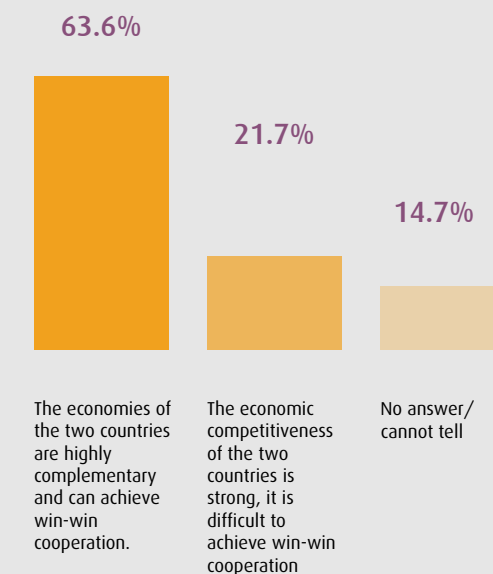
## Do you think there will be a military conflict over territorial disputes between China and India?



## What do you think about the relationship between China and India in international affairs?



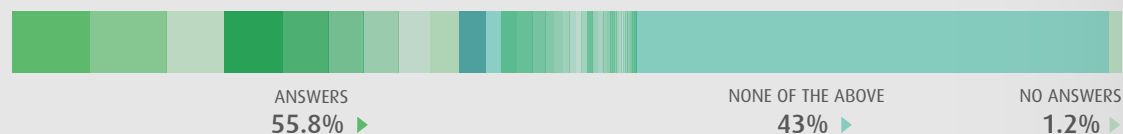
## What is your opinion of China's economic relations with India?



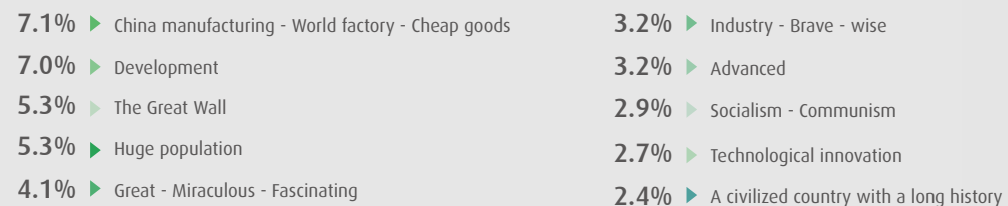


# China in the Eyes of Indians

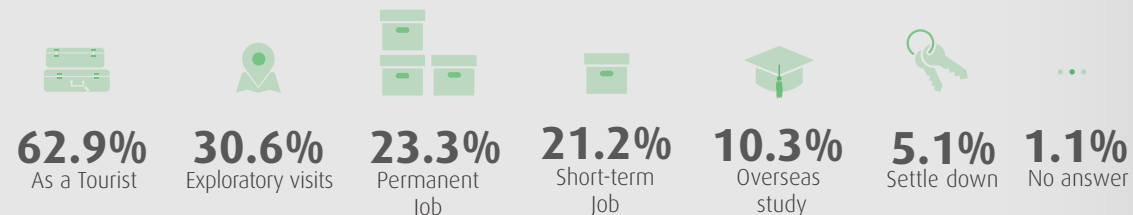
## What comes to your mind when we mention "China" ?



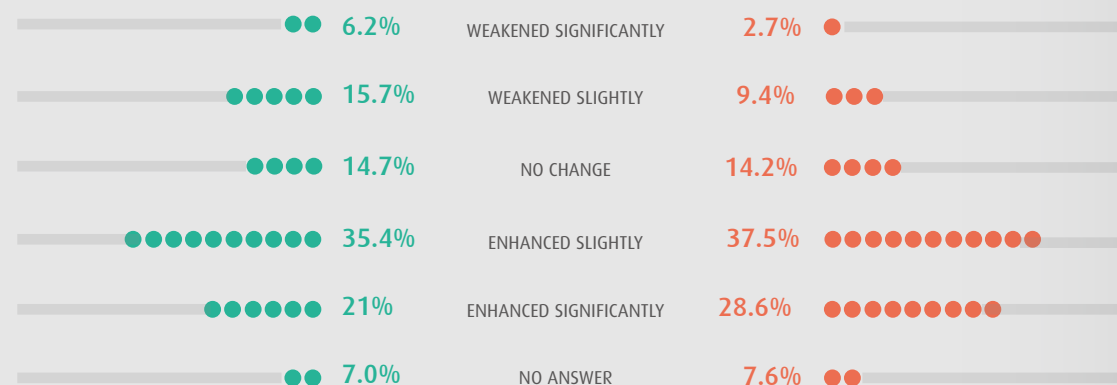
### Top 10 answers



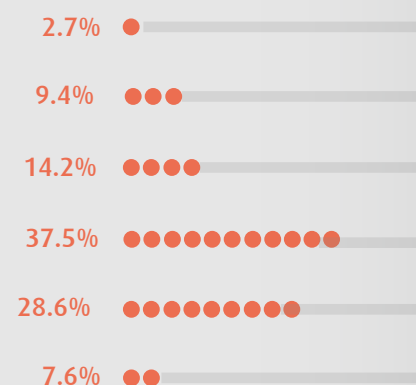
## If possible, what would you like to do in China? (Multi-choice)



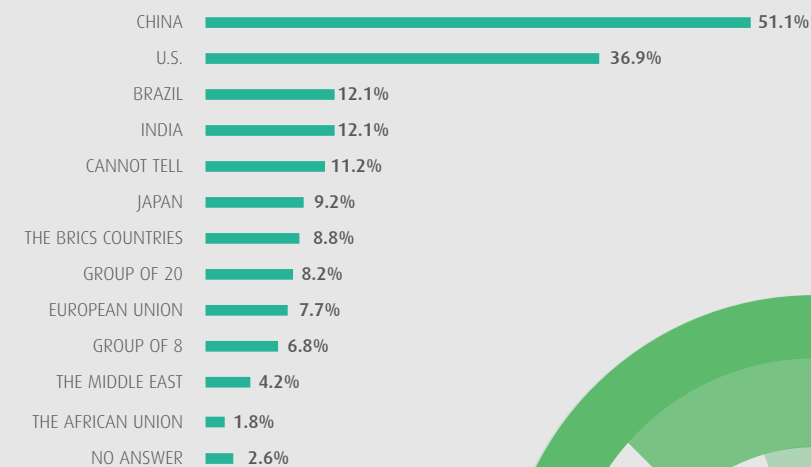
## What is your opinion of India's influence in the world in the past decade?



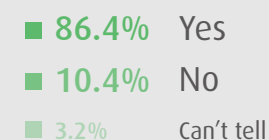
## What is your opinion of China's influence in the world in the past decade?



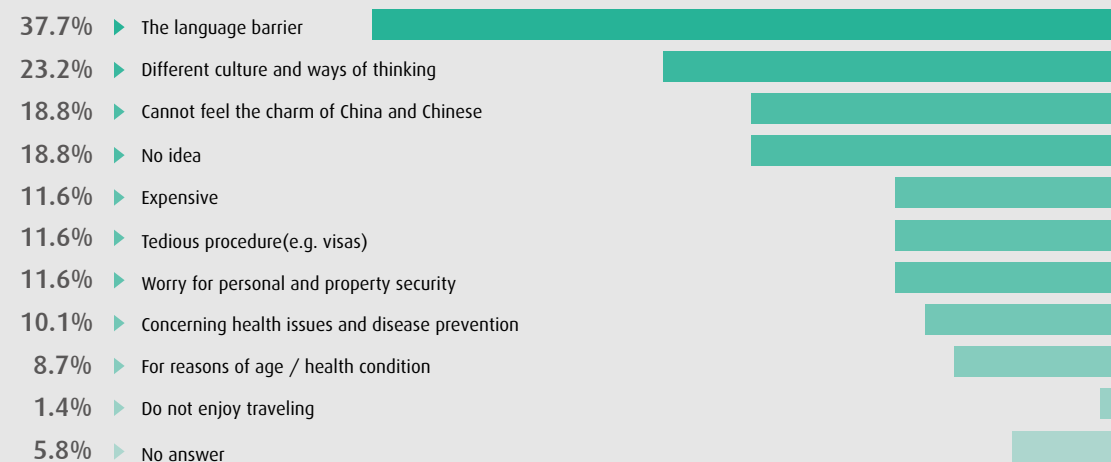
## Which countries or international organizations will become the world's political leader ? (Select two choices at maximum)



## Would you like to visit China if you have the chance ?



## What are your reasons for not visiting China? (Multi-choice)



## Travel in India: Pros and Cons

### Qu Chang

Age: 25

Occupation: Bank clerk

Major: International Economics and Trade

Birth place: Ulanhot, Inner Mongolia Autonomous Region

Current residence: Beijing



India, a mysterious country with a long history, greatly appeals to people like me who loves going sightseeing. Some say she is mysterious and of great antiquity while others say that she has a new look now. The collisions between antiquity and advanced technology have made the present-day India a beautiful and amazing country. Though India is characterized with wonderful scenery, negative reports online about India's strange events and dirty environment make me a little bit scared amid hope.


Independent tour will be my choice if I travel to India. When leaving Beijing, I'll first reach Varanasi, where I can enjoy the cultural scenery along the Ganges River and visit the divine Golden Temple; my next destination will be Agra, where I can enjoy the beauty of Agra Fort, from where the outline of Taj Mahal will be in sight. And I'll also visit the renowned place and have a close look at the astonishing structure of the "India's Pearl"; next I'll visit Amber Fort in the Pink City Jaipur, enjoying

the beauty of Water Palace.

An independent tour to India has many advantages. First, it is cheap. You can have a good trip in India without spending too much. The snacks in India are cheap and delicious. Second, the local customs, beautiful scenery and cultural scenic spots are really attractive, which are ideal for tourists.

However, independent tour to India has problems such as dirty environment, crowded train carriages, simple taste food and dangers to girls who travel alone. Those problems have stopped me from travelling to India.

India is a nation with a splendid culture and tradition. People who are fond of cultural scenic spots can go there with friends. All problems can be solved after full preparation. For example, travelers should know local customs and be alert against cheating.

India's unique beauty attracts every traveler. 

# Ways of Seeing Each Other

## Travelling in India Is Not Easy

### Yu Ruohai

Age: 27

Occupation: Freelance work

Major: Chinese Language and Literature

Birth place: Hangzhou City, Zhejiang Province

Current residence: Hangzhou City, Zhejiang Province



I went to India with my friend in 2013. Starting in New Delhi and ending in Calcutta, we traveled through northern India in 22 days.


Chinese tour groups are rarely seen in India. One major reason is that few Indians can speak Chinese, so tourism companies with Chinese guides are scarce. Besides, Indian tourism has no selling point which can attract Chinese tourists; for instance, luxuries in Europe are cheaper than in China, and the travelling experience there can be used to show off. Therefore, travel agencies in Chinese mainland don't pay much attention to India. Except for a few tours for study, photography, yoga, or Buddhism, tourists from Chinese mainland usually travel to India by themselves.

New Delhi and Agra are the main destinations for Chinese tourists. As capital of India, New Delhi is the tourists' gateway to India. It has the Indira Gandhi International Airport. Tourists who travel to India for the first time must go to Agra, which is renowned for Taj Mahal. Generally, the short sightseeing route (within 7 days) starts from New Delhi, through Agra and Jaipur and finally ends with returning to New Delhi. Those who stay in India longer will choose other scenic spots they like. Varanasi, where the Ganges River flows through, is always a popular choice.

Transportation is the major obstacle for

Chinese tourists in India. Inter-city transportation in India relies heavily on rail. And booking train tickets is not easy. Indian train carriages fall into four categories: AC1, AC2, Sleeper and Chair. And those who take the Chair won't get their tickets checked, so it is equal to taking the train free. As a result, enormous number of passengers take Chair. Some video online shows that many Indians sit on the top of the train carriages are actually sitting on the top of the fourth kind (Chair) of carriages.

The other three kinds of tickets should be booked on the website Cleartrip about half a year in advance. To book train tickets an Indian phone number is needed. The inspection on SIM cards is rather strict and the process is cumbersome, making it difficult for foreign visitors to get one. My solution was to buy a ticket at the station. If no seats were vacant, I had to sit on the carriage corridor for a whole night, and I spent two nights sitting on the carriage corridor. Moreover, there is no station reporting on Indian trains, and foreign visitors should ask Indian passengers now and then about whether they have arrived at their destination.

In conclusion, as far as I'm concerned, Chinese tourists who want to tour India may encounter lots of problems, so full preparation is needed before setting out. 

I have not been to China but I would definitely want to visit the country. China is our neighbor, and we have a love-hate relationship with the country but we are ever eager to learn from China. China fascinates me a lot. We use goods made in China, from large electronic devices like televisions to simple toys like remote control cars, which show the presence of China in our everyday life. Like India, China has a very long history and is very rich culturally. Besides, it is a communist country, egalitarian in its social structure. It has emerged as the fastest growing economy of the world over the past two decades, breaking the neo-liberal macro-economic thinking that government's extensive interventions in the economy do not set country on development path. China fascinates me as it has had its own idiosyncratic approach to development during the post Maoist period. All this makes China a very interesting nation for me. I would like to learn about the life of common Chinese people, their way of living, etc. I would also like to particularly know about the education system at university level. I, as well as several of my peers, are eager to know more about China.

If I get a chance I would like to visit Beijing first. Beijing has several tourist at-

tractions like the Forbidden City, Temple of Heaven, Summer Palace, Ming Tombs and some parts of the Great Wall of China, as well as Grand Canal and the Tian'anmen Square. Many of these are UNESCO's World Heritage sites. I understand, Beijing is a city of cities, full of traffic snarls, hustle-bustle, and functional chaos. Being a Delhite, Beijing excites me as a city, and I wonder how the city governance handles so much and with such efficiency. I also want to visit Tsinghua and Peking universities and interact with students on the campus.

I would prefer to travel with my friends and arrange for private transport, and a guide with good English. This will offer us comfort and flexibility. I might develop more insight this way than travelling alone or in a group of unknown people. It would be more adventurous too. I understand that Beijing offers tourist's glimpses into China's history and has got good tourists-infrastructure. It is for these reasons I would like to visit Beijing.

Some of my worries while travelling to China relate to spoken language and food. Although it is popular in India, Chinese food can be unpalatable for me if there is animal fat/oil in it or if there is lot of garlic and chilli. Traffic conditions in Beijing are also a

It is the city of historical pagodas, magnificent sunsets, and tea fields running into thousands of acres. In ancient texts, the city is known to have places named "Upper India", "Middle India" and "Lower India."

The city I'm talking about, however, is not in India at all. It is a city nestled amidst hills and a picturesque lake in China. Hangzhou.

While reading Tan Chung's book *Across the Himalayan Gap: An Indian Quest for Understanding China*, as a child, I discovered this lesser-known connection that Hangzhou in Zhejiang Province has with India. An ancient Buddhist monk in the year 326 came from western India to Hangzhou and after seeing a hill next to West Lake declared that the hill had been brought there from Magadha (modern-day Bihar). The hill was then named Tianzhushan (Indian Hill) and Feilaifang (the peak that has flown from India), ultimately leading to the names "Upper India", "Middle India" and "Lower India" on the Chinese map of Hangzhou.

Being a history buff, I wanted to visit this city and see for myself the object of this curious connection between two countries. I got the opportunity this year when in June I travelled to China as part of a media delegation.

The first place we went to when we reached Hangzhou one misty morning in June was West Lake. Celebrated by poets and artists since the 9th Century, the lake encompasses islands reachable by boat,

temples, pavilions, gardens and arched bridges.


I was awestruck by the scenery, the high peaks and the dewy lotus leaves on the ground, caressed by the fog and playing hide and seek with the eye.

But what can possibly divert your attention from these breathtaking views? Museums.

Hangzhou, famous for Chinese calligraphy and seal carvings, is also home to renowned museums. I visited the National Tea Museum, National Silk Museum, and Zhejiang Provincial Museum where ancient textbooks, life-sized exhibits and cultural relics in dim, flickering lights created an impression of being transported back in time to China of yore, where sharp-eyed merchants along the Silk Route haggled with buyers and princesses sipped hot tea poured from delicate Yixing clay teapots.

While one can visit China on their own, since the country is safe, even for women, travelling in a group affords a sort of comfort that you might need in a foreign land where most people cannot speak your tongue. The people, however, are warm and hospitable, and despite the language barrier, will do their best to help you.

Once, when a cab driver who I asked to ferry me from our hotel to Qiantang River Bridge quoted us double the normal fare, an old man within earshot quickly started walking towards me. His knees wobbling and head shaking vigorously, the man held his fingers to indicate to me that the

worry for me. I would not like to lose time in traffic jams. Also, I hope that the city is friendly to foreigners and tourists. 

## China Fascinates Youth in India

### ARUNABH DAYAL

Age: 20


Occupation: Student

Major: B.A. Economics

Birth place: Patna

Current residence: Delhi



driver was charging too much. I smiled and nodded. Here we were, two complete strangers who will never see each other again, united briefly, as the result of a kind act. Such is the power of travel, of kindness. 

## A Chinese City with an Indian Connection

### Shakoor Rather

Age: 28

Occupation: Journalist

Major: MA in Mass Communication and Journalism

Birth place: Anantnag, Jammu and Kashmir

Current residence: New Delhi





# Chinese Museums In Pursuit of Preserving the Culture

Text & photos by Prof. Sudha Dhingra

THE MUSEUM OF ETHNIC COSTUMES IS A CULTURAL RESEARCH INSTITUTE AND ONE OF THE 10 BEST SPECIALIZED MUSEUMS IN CHINA.

Every visit to China is a window to new sights and insights. In March this year, on my third visit – for an international conference at the Beijing Institute of Fashion Technology (BIFT) – I met a variety of people from diverse fields.

After my first trip to China in 1998, last year, I visited Shenzhen for the International Cultural Industries Trade Fair. That gave me a glimpse of China's efforts to preserve, protect, promote and market its tangible and non-tangible cultural assets and aspects.

China today is vastly more developed. Beijing is flourishing, affluent and attractive. In the last decade, people across the world have got well exposed to technological advancements and the Chinese capacity to mass manufacture goods for all markets and segments. However, I was more surprised by Chinese efforts to preserve, promote

and take pride in their heritage.

On the conference's second day, we visited the Museum of Ethnic Costumes in BIFT. On entering the third floor of BIFT's general building, the first thing I saw was a huge map of China, with dots in many colors indicating the location of minority ethnic people in the various provinces.

The Museum of Ethnic Costumes is a cultural research institute and one of the 10 best specialized museums in China. It has a fabulous collection of costumes, textiles and accessories belonging to various ethnic groups from China. The museum has six halls showcasing Han, Miao, Zhuang and Mongolian people besides many other minorities.

I was awestruck by the vastness of the space, the wealth of material and the beautifully mounted artifacts which were well displayed. Each piece was preserved with care and attention. The museum has a hall of trappings; and, sections on gold jewelry, batik and indigo-dyed textiles, costumes and accessories. We were informed that the exhibits – old pieces in silver, precious stones and other metals – were authentic, not replicas. The documentation was excellent with elaborate captions in Chinese and English. Each ethnic group's clothes and accessories like headgear, shoes and jewelry were mounted on stands, cases and specially-created structures. The preservation of the

pieces was immaculate.

Special clothing and ceremonial clothing were also displayed.

The Miao people live in South China, mainly in Hunan, Guizhou and Yunnan provinces. The beautiful skirts, jackets, pants and robes of Chinese patterned silks, delicately embroidered with satin stitches in white, pale pink, sapphire blue and other rich hues were so eye-catching that I could have spent hours studying their structure and imagery.

Intricately embroidered baby-carriers which women used for strapping infants on their back, embroidered tiny shoes which would have attracted the attention of young girls, and bags specially made for storing coins, jewelry and silks, were some of the museum's proud possessions.

The Mongolian Barag tribe's costume with lantern sleeves could inspire many a design student in the world. Furs and skins, fish-skin coats and pants of the Hezhen people and deer-leather bags and gloves of the Mongolians were showcased for visitors to admire the skill of the craftspeople.

The Han people's costumes included shirts, gowns, undergarments, waistcoats and very interesting accessories such as forehead bands, ear-tabs and handkerchief. Silver ornaments for the body and hair were displayed with photographs elaborating how these are to be worn. Heavy silver ornaments for waist, chest, wrists and head were mesmerizing. In one item of head gear, the most intricate

layers of fine, delicate flowers made in silver metal had assorted handcrafted butterflies, bees, dragonflies and praying mantises nestling around a phoenix, the mythical bird symbolizing power and beauty.

Many types of looms used for putting together the elaborately-woven silks and tapestries known as kesi were displayed in the museum. The museum has more than 10,000 objects in its collection, out of which about 500 are displayed. It was a treasure house for students and scholars not only of fashion, but also of history and textiles.

Next day, we visited a lingerie factory, which surprisingly had a museum on its premises. One huge wall in the museum was dedicated to the history of lingerie in the world, giving details of patents and trends. Another wall depicted the history of lingerie in China. The museum also housed the company's range of lingerie styles tastefully exhibited on mannequins and wall panels.

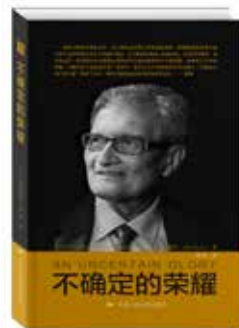
My three-day stay in Beijing was very exciting. The visits to two very different museums – the Museum of Ethnic Costumes and the Lingerie Museum – afforded me an insight into the rich culture and heritage of China. It is an impressive testimony to the resolve and attempts of the people and organizations to preserve their past so as to have a meaningful present and an enriching future. ■

*The author is Chairperson of Textile Design Department, National Institute of Fashion Technology, New Delhi, India.*



Exhibits on the wall of the Lingerie Museum.

# BOOKS



China Renmin  
University Press,  
September 2015

## An Uncertain Glory

By Liu Xiaoxue

**A**n *Uncertain Glory*, a book jointly produced by the world-renowned economist Amartya Sen and his long-time partner Jean Drèze, was first published in 2013. Sen, who received the Nobel Prize in Economic Sciences in 1998 for his contribution to welfare economics, and though in his eighties, he still pursues social fairness with his pen.

The authors raise the question of “Does high-speed growth really create a new India?” at the beginning of the book. The answer is uncertain, which can be “Yes” or “No” at the same time, because today’s India is “half in California, and other half in sub-Saharan Africa.” On the one hand, India has maintained an enviably high economic growth for more than a decade. On the other hand, it possesses a disappointing Human Development Index (HDI). The index is even worse than that of Bangladesh, whose per-capita income is only half of India’s. At the same time, in India, the gap between the privileged classes and the common people is widening.

With a comparative perspective, the book examines the different approaches adopted by various countries and India’s different states, and the different results they get respectively in fields such as public education, healthcare, and poverty alleviation. It asserts that all of India’s policy mistakes in these fields stem from imperfect democracy, and imperfect democracy is largely the

result of the inequality existing in Indian society.

The book believes that few countries in the world are like India, which needs to fight against inequalities at multiple levels, including large-scale economic inequality, serious discrimination on grounds of caste, social class, and gender. In a social environment which lacks public reason like in India, the fight is doomed to be a one-sided game. In India, different groups possess extremely unequal rights of speech and influence, while media focus is always on the elite, the privileged, and the rich, and pays little attention to the interests of the poor. Indian Parliament also fails to attach importance to the interests of the poor regarding public revenue allocation. On the one hand, the government was reluctant to spend an extra of Rs 270 billion to provide food for the starving poor. On the other hand, it generously cut down import tariff of Rs 570 billion on diamonds and gold. Moreover, since cultural, education, and healthcare services provided by the government are hard to obtain and difficult to ensure guaranteed quality for the poor, their accesses to a better life have been blocked; which leaves them perpetually in a situation full of deprivations.

How to solve these problems? Patiently waiting for the overflow effect that eventually will come one day? This is definitely not the answer from Sen, a scholar who combined economics with moral philosophy to create welfare economics. However, the “constructive reform” on India’s politics proposed by Sen also calls for an investment of abundant time.

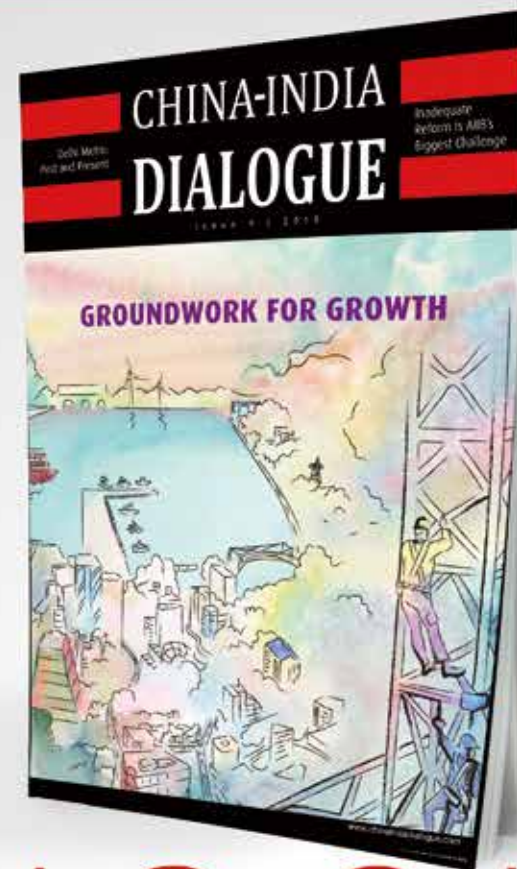
Media need to be more conscientious and courageous to shake off the narrow-minded “elite” perspective. Society needs to rebuild public reason through extensive discussions on public issues, and the poor need to establish their own political organization by using their new political identities. Looking at the social achievements in Himachal Pradesh, Tamil Nadu, and Kerala, reform is evident. But still, many things need to be done step by step.

In terms of arguments, the book provides valuable quantitative and qualitative analyses of Indian policies on public education and health service, and makes comparisons with those in China. Some of India’s experiences can be used as reference for China’s reform in relevant fields. One basic viewpoint of the book is that although private capital can play an active role in providing social public goods, the government still needs to shoulder major responsibilities.

Four decades ago, Sen’s renowned work *Poverty and Famines: An Essay on Entitlement and Deprivation* revealed that it is not food shortage, but rather the deprived exchange entitlement caused by social inequality, that have cost people’s lives during famines. Today, *An Uncertain Glory* tells readers that social inequalities still exist in a “prosperous” India, and are becoming even more shocking and unbearable.

When it is published in China, the book omits its original edition’s subhead “India and Its Contradictions.” Although these contradictions are exhibited in various forms, they all stem from social inequalities. Because of these contradictions, India’s glory brought about by economic growth becomes somehow uncertain, just like a sunny day can be ruined by an unexpected downpour at any time. I think sticking to its original name will be more accurate and complete in terms of conveying the authors’ ideas.

*The author is the associate researcher with the National Institute of International Strategy, Chinese Academy of Social Sciences.*



# BRIDGING CHINA AND INDIA



FIND US  
ON VARIOUS MEDIAS



Any question or comment about CHINA-INDIA DIALOGUE  
Please email us at [contact@chinaindiadialogue.com](mailto:contact@chinaindiadialogue.com)

[WWW.CHINAINDIADIALOGUE.COM](http://WWW.CHINAINDIADIALOGUE.COM)





# Mi 4

Now available from ~~₹19,999~~  
**₹14,999!**

Mi flagship. Crafted to perfection.  
Over 1 crore Mi 4 sold worldwide.



Stainless Steel frame • Qualcomm® Snapdragon™ 801 2.5GHz processor • 5" Full HD display  
3GB RAM • 16/64GB Flash • 13MP Sony camera • 3080mAh battery

Starting 18th June

Available on

[mi.com](http://mi.com)

**Flipkart**

