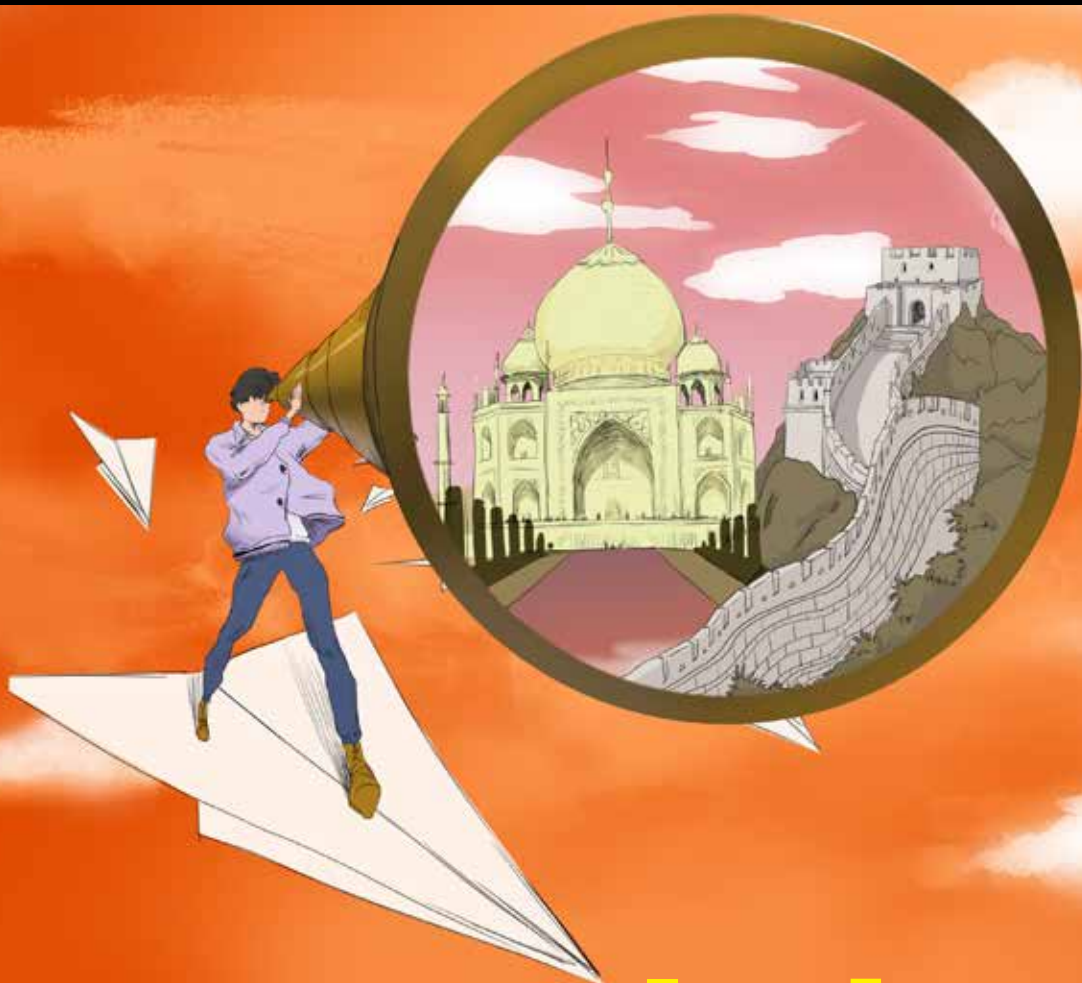


China's 2017  
Economic  
Prospects

# CHINA-INDIA DIALOGUE

Indian Students in  
China: The Case of  
Medical Education

VOL.6 NO.1 | JANUARY 2017



## 2017 Outlook

• Top Interview •

**Former State Councilor Dai Bingguo  
on the China-India Boundary Question**

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## Sculptures from China and India Exhibition

The exhibition “Across the Silk Road: Gupta Sculpture and Their Chinese Counterparts Between 400 and 700 A.D.” opened on September 28, 2016, in the Palace Museum. It ran until January 3, 2017.

The event featured 56 sculptures dating back to the Gupta and Post-Gupta period from collections of nine Indian museums as well as 119 sculptures of the same period from Chinese museums in Hebei, Henan, Shandong, Shaanxi, Sichuan, and Gansu provinces and the Xinjiang Uygur Autonomous Region. The exhibition marked the first sculpture dialogue between the two ancient civilizations.



## Chinese and Indian Armies' Joint Anti-terror Drill

In late November, the Chinese and Indian armies held joint anti-terror exercises code-named “Hand in Hand 2016” in the Indian city of Puna.

According to the Ministry of National Defense of China, this drill involved 173 troops from China and the same number from India. They conducted joint counter-terrorism reconnaissance operations, locating and removing improvised explosives and forming blockades. The drill marked the sixth joint anti-terrorism exercise involving Chinese and Indian armies; the first was in 2007.

## Informal Meeting between Chinese and Indian Special Representatives on the Boundary Question

Chinese State Councilor Yang Jiechi met with Indian National Security Adviser Ajit Doval in Hyderabad, India on November 4, 2016, for an informal meeting on the boundary question.

The two parties exchanged views on bilateral relations and regional and international issues of common concern. They agreed to continue negotiation on the boundary question by talks between Chinese and Indian special representatives and to jointly safeguard border peace and tranquility.



## Xu Qiliang Meets Dalbir Singh

Xu Qiliang, vice chairman of the CPC Central Military Commission, met Indian Army Chief General Dalbir Singh in Beijing on November 21, 2016.

Xu remarked that the relationship between the two armies had been developing and blooming. The two forces should resolutely implement consensus reached by leaders of the two countries, strengthen pragmatic exchange and cooperation, and deepen strategic mutual trust to strengthen and stabilize both countries. He hoped that armed forces from the two countries would continue to increase cooperation in border control and border defense and maintain peace and tranquility in the border region.

General Singh added that India was willing to further strengthen exchange in defense with China and promote the relations between the two forces.

## 8th Meeting of China-India Defense and Security Consultation

On November 8, 2016, the 8th meeting of China-India Defense and Security Consultation was co-chaired by Sun Jianguo, deputy chief of the Joint Staff Department of China's Central Military Commission, and Indian Defense Secretary Shri G Mohan Kumar.

The two sides exchanged in-depth views on regional security, relations between the two countries and their militaries, and issues of common concern. They agreed that the consultation mechanism has played a positive role in enhancing mutual trust and cooperation.

## Annual Academic Conference of Chinese Association for South Asian Studies Held in Beijing

Scholars on South Asia from research institutes across China gathered in Beijing from Nov 14 to 15, 2016, for the annual academic conference of the Chinese Association for South Asian Studies (CASAS). The theme of this conference was “The Belt and Road Initiative and China's Strategy in South Asia.” Topics of the conference include current conditions of the Belt and Road Initiative implementation, politics of South Asian countries and international relations, development of South Asian economies and prospects of cooperation with China.

## Modi Meets Meng Jianzhu

On November 9, 2016, Indian Prime Minister Modi met Meng Jianzhu, special envoy of President Xi Jinping, member of the Political Bureau of the CPC Central Committee, and secretary of the Committee of Political Science and Law under the CPC Central Committee.

Meng announced that the two countries' cooperation in fighting terrorism and promoting law enforcement has gained momentum in recent years, emerging as a key sector of bilateral relations. China is willing to communicate candidly with India on security, enhance mutual understanding and promote pragmatic cooperation on anti-terrorism, the apprehension of criminals, recovery of illicit funds and the fight against cyber crime. Cooperation will not only abate security concerns, but also improve sentiments between peoples.

Modi expressed confidence in India-China relations and called for broader communication and cooperation with China on security and anti-terrorism.

## Liaison Office of China-India Business Council established in Changsha, China

The Liaison Office of the China-India Business Council was established in Changsha on November 28, 2016. The 2016 Seminar on China-India Business & Investment Cooperation was held after the establishment ceremony. The Chinese Council for the Promotion of International Trade (CCPIT) Hunan Sub-council and the Consulate-general of India in Guangzhou organized the establishment ceremony and the seminar. The Liaison Office will help promote exchanges between India and Hunan, neighboring provinces and even all of China and enhance comprehensive cooperation between China and India in sectors including the economy, culture, tourism and education.



# India-China Relations in 2017

## Threads of Knowledge and Strategic Understanding

By Tarun Vijay



AS POWER POLES SHIFT FROM THE WEST TO THE EAST, INDIA AND CHINA MUST PLAY A BIGGER ROLE IN DETERMINING THE FUTURE BALANCE OF POWER IN THE REGION. COOPERATION OVER CONFLICT IS THE KEY TO A PRODUCTIVE FUTURE.

I solemnly believe that knowledge (Vidya) and compassion (Karuna) will weave a new fabric of mutual cooperation between India and China. Buddha taught about such traits, and they must be followed to be worthy of inheriting Gautama's legacy.

Bilateral relations encompass far more than readily apparent political and security concerns. Although

such concerns do influence ties in any contemporary scenario, historical factors are created by people-to-people contact and the resulting cultural and civilizational contours. I have always insisted on strengthening the chain of people-to-people exchange between the two countries on various levels to build a foundation of bilateral ties strong enough to withstand disagreements that inevitably emerge on geo-

political fronts.

Serious issues such as the boundary question and terrorism remain, but we can still work together to eliminate terrorist attacks and help people understand India's need to join the Nuclear Suppliers Group to peacefully utilize the energy. The world is looking to India and China because the future of humanity could depend on how these two great civilizations work

together to create a happier planet. The power centers of economics and military force are fast shifting to the East. With India becoming one of the fastest growing economies, Prime Minister Modi has emerged as a difference-maker, and by working alongside the strong leadership of President Xi, tomorrow's geo-political relations are sure to be crafted with confidence and vigor.

Now is the opportune time to take steps to refine and redefine bilateral relations, with a focus on the younger generation on both sides, while we formulate solutions to pressing issues that need a well-established mechanism. Hopefully, future cooperation will get a breath of fresh air.

China and India have so much in common: Both civilizational threads can be traced back to the Mahabharata era wherein records mention China and a "Cheen." Chanakya's *Arthashastra* is considered the immortal book on governance

and statecraft. Great monks such as Kumarjeeva and travelers Fa-Hien (405-411 AD) and Hiuen-Tsang (630-645 AD) are highly revered figures in the Indian psyche. During my several visits to China, I witnessed great love and affection for India among ordinary Chinese people. The most iconic image of the Modi-Xi summits shows the pair sharing a swing in Ahmedabad, Gujarat.

Let's seize the threads that bind us and lift each other over the hurdles obstructing a productive future.

The first step should be enhancing educational exchange at the student level. I have promoted exchange programs to help the youth of both countries understand each other's family ambience, festivals, cuisine and cultures intimately. Exchange programs have proven successful in many countries, and it is perhaps only because we're already next-door neighbors that people have been hesitant

to introduce such programs as gestures to build trust in future generations. Indian schools and colleges must sign agreements with various Chinese counterparts to facilitate academic exchanges. Present levels are far from adequate. Indian teachers have proven tremendous

### China's South Asia research institutes

Chinese Association for South Asian Studies

Institute of South Asian Studies, Sichuan University

National Institute of International Strategy, Chinese Academy of Social Sciences

South Asian Research Institute, Yunnan Academy of Social Sciences

Research Institute for Indian Ocean Economies, Yunnan University of Finance and Economics

### China's higher education institutions offering Hindi language major

Peking University

Shanghai International Studies University

Guangdong University of Foreign Studies

Beijing Foreign Studies University

Xi'an International Studies University

Yunnan Minzu University

### Indian research institutes on China

Institute of Chinese Studies (New Delhi)

Centre for Chinese and South East Asian Studies, Jawaharlal Nehru University (New Delhi)

### Indian institutions offering Chinese language major

Centre for Chinese and South East Asian Studies, Jawaharlal Nehru University (New Delhi)

Department of East Asian Studies, Delhi University

Institute for Contemporary Chinese Studies, Mahatma Gandhi University (Kerala)

Indira Gandhi National Open University (New Delhi)



The President of India receives Tarun Vijay's book on Kailas in Chinese.

(This list is not comprehensive.)

assets at Chinese institutions thanks to their versatile skill sets, and the Kumarjeeva-Fa-Hien knowledge exchange program no longer accepts Chinese students. Several Indian colleges and institutions have already opened Chinese learning centers, and the construction of Hindi/Tamil learning centers in China should be encouraged.

Both of my books, one on the pilgrimage to Kailas Manasarovar and the other on the life and economic vision of Prime Minister Modi, have been translated into Chinese with the help of Sichuan University's Institute of South Asian Studies. Both were well received, and the Chinese President and the Prime Minister even received copies of the books. The India-China Parliamentary Friendship Group, which I lead, is the only such group in existence, and it testifies to India's extraordinary efforts to boost ties and increase confidence between the two nations.

Such spirit should be properly reciprocated on the Chinese side and reflect diplomatic cooperation on various strategic issues, with terrorism at the top of the list. I am sure 2017 will see India and China working closely on this and other issues.

Some pundits have produced 'inspired' analyses projecting China as a threat to India. We must avoid such extreme positions, which are helpful to no one.

It would be a futile exercise to always think of China as a foe. Other countries are not to blame for our own nation's

shortcomings. The fault lies with our own ignorance and internal policies that could be detrimental to relations.

As all eyes look increasingly to the East and away from Western dominance thanks to the inspirational emergence of both India and China, we should eliminate outdated perceptions and confidently weave a policy in which China is considered a strategic partner; one whose participation is crucial for the peace and prosperity of the region, as well as the world. China needs to be engaged and trusted; adversarial moves would just show weakness.

Even after four full-scale wars and decades of related terrorist activities, India remains committed to boosting trade, exchange and confidence in its neighbor, Pakistan. Strangely, not a single shot has been exchanged between China and India since 1962, despite a persisting 1,000-year-old disagreement. But our bilateral relations at the people-to-people level remain warped in suspicion and hesitation bordering on mistrust.

No one seems interested in increasing people-to-people contact with China, and there aren't any measures to build confidence. There is no enthusiasm to understand, befriend and know Chinese culture, youth, societal dynamics and rural strains. No one is studying the literature they are creating or the movies and paintings Chinese artists are producing. Thanks in large part to nefarious Western media influence,

China is often considered enemy number one.

Under the new order woven by the pragmatic and strategic leadership of Modi and Xi Jinping, the old way has been replaced by a more confident and trustworthy approach. Together, we have opened a new route to Kailas Manasarovar through Nathu La, performed joint military exercises, presented a massive joint naval show at Vizag, and continued delegation-level exchanges despite strong disagreements on the declaration of Lakhvi and Masood Azhar as Pakistani terrorists in a UN vote.

We have strived to move ahead with hope. This is a remarkable feat in bilateral diplomatic relations indeed.

The best way to cool tensions on the Himalayan border is to pursue a policy of 'vigilance and visitation'. Cheering on China is the spirit of a confident and friendly India. We can still, at the same time, safeguard our own national interests.

My 2017 mission statement is "U.C., V.C., L.C.": "Understand China, Visit China, Learn Chinese."

I must quote the inspiring words of Prime Minister Modi on our relations with China:

*"I attach great importance and priority to our relations with China. We are two ancient civilizations with a long history of engagement. China is our largest neighbor, and India's neighborhood occupies a special place in my national development plans and foreign policy. Today, we are the world's two most populous countries and two*

## Our relations should transcend political fault lines, and we must embrace each other's society, literature, movies and language.

*largest emerging economies. We are both undergoing economic transformation on an unprecedented scale and speed.*

*Therefore, a climate of mutual trust and confidence, respect for each other's sensitivities and concerns and peace and stability in our relations and along our borders are essential for us to realize the enormous potential in our relations."*

— Modi's speech at the press briefing with President Xi Jinping, September 20, 2014, New Delhi

We must look at our 2017 relations from this viewpoint. India is talking to China, not some individual. It's in the interests of the changing world that India and China write a success story on strategic relations. The power poles are shifting from the West to the East, and India and China must play a bigger role in determining the future balance of power in the region. Cooperation over conflict is the key to a productive future. India-China dialogue



June 21, 2016, Kunming City: Students from Yunnan Minzu University practice yoga in the rain on the second India-China (Kunming) International Day of Yoga. The Indian yoga school of Yunnan Minzu University is the first yoga school established in China and outside India. [CFP]

can construct a new era of peaceful economic prosperity and strategic cooperation, vital not only to both countries but to the world. We should work to ensure corrections in bilateral trade and ensure that India-China cooperation is boosted, and most importantly that trust is restored in defense ties, which will guarantee tranquility on the borders. Both sides are expected to enhance people-to-people contact and promote increased tourist traffic, liberal visa policies, and student exchanges.

I am working on a plan to develop Chinese learning centers in India. I have not seen Chinese people be anything but friendly to India. Our relations should transcend political fault lines, and we must embrace each other's society, literature, movies, and language.

One should not ignore the fact that the progress of recent border talks in Beijing demonstrated a mature

approach by both sides. The BRICS declaration also paved a path towards future cooperation on strategic issues.

Bilateral relations with China are a matter of political consensus in India, and this spirit is being further reinforced for a better future.

The situation is best illustrated by our President, Pranab Mukherjee, who wrote in the foreword to my book on Kailas Manasarovar, "India-China relations have witnessed comprehensive progress in recent years. Both countries stand on the threshold of a leap into an exciting phase of global exchange, wherein harnessing ideas and resources for global welfare will create a major pivot in world peace and welfare." ■

— The author is a member of Parliament, Rajya Sabha, member of Parliamentary Standing Committee on Defence, member of Parliamentary Consultative Committee on External Affairs, and president of Parliamentary Group on India China Friendship.



# India Holds the Key to Settlement of the Boundary Question

Interview with Dai Bingguo, Former State Councilor and Chinese Special Representative on the China-India Boundary Question

By Wen Zhihong

AFTER MORE THAN 30 YEARS OF NEGOTIATIONS, CHINA AND INDIA ARE FINALLY APPROACHING SETTLEMENT OF THEIR BOUNDARY QUESTION. SETTLEMENT WILL HAPPEN VIA A FRAMEWORK SOLUTION BASED ON MEANINGFUL AND MUTUALLY ACCEPTABLE ADJUSTMENTS.

On the evening of June 23, 2003, the Chinese Premier Wen Jiabao held a banquet in honor of the visiting Indian Prime Minister Atal Bihari Vajpayee. A senior politician who served as prime minister of India for three non-consecutive terms, Vajpayee proposed the establishment of a meeting between special representatives on the

China-India boundary question when he visited China as India's Minister of External Affairs in 1979. At the banquet, Vajpayee brought up the proposal again, hoping that the two countries would appoint special representatives who reported directly to their respective premiers to discuss framework solutions on the boundary question at the political level. This time, both sides accepted

the proposal. Then, Vajpayee appointed his chief secretary and National Security Advisor Brajesh Mishra as India's special representative for talks on the boundary question. Meanwhile, Wen Jiabao appointed Dai Bingguo, then Chinese executive vice foreign minister, as China's special representative.

In early 2016, former State Councilor Dai Bingguo elaborated on the

establishment of talks on the boundary question between special representatives of China and India in his new book, *Strategic Dialogues: A Memoir of Dai Bingguo*. From June 2003 to May 2013, Dai and his Indian counterparts held 15 rounds of such talks, exchanged written letters or oral messages from their respective state leaders, conducted lengthy and tough negotiations, and witnessed the ups and downs of China-India relations in the 21st Century.

In *Strategic Dialogues*, Dai recalled that at the first and second rounds of special representatives' talks, he expressed hope that they might work out solutions for China-India boundary question across three to five years of negotiations, but Mishra responded that he might not get the chance to see progress during his term if it took so many years. During the second round of talks, Mishra once confided to Dai that Prime Minister Vajpayee was already 79 years old, he himself was 75, and that both hoped the boundary question could be settled as soon as possible by both sides exchanging views on substantive issues. He asked Dai to deliver that message to Chinese leaders.

Sensing that Mishra's feelings sharply contrasted with the scripted words of the negotiators from India's Ministry of External Affairs he had met previously, Dai had high expectations for the special representatives' talks. However, Vajpayee lost the general election in

May 2004, forcing Mishra to resign from his position as the Indian special representative on the boundary question. The new ruling party, the Indian National Congress, was constrained by historical sentiments concerning the boundary question with China, and the coalition government it led proved comparatively weak in decision-making ability. The new government focused on domestic issues and lacked a strong will to settle India's boundary question with China. "The moment the special representatives' talks were about to move forward, new challenges emerged," Dai wrote in the book.

Some Chinese scholars concluded that a prime opportunity for China and India to solve their boundary question was lost, citing Dai's revelation in the book *Strategic Dialogues*. What is at the heart of the sometimes turbulent China-India relationship? Where is the hope for settlement of their boundary question? Recently, *China-India Dialogue* interviewed Dai Bingguo, former State Councilor and the first Chinese special representative on the China-India boundary question, to find answers.

**STRATEGIC INDEPENDENCE IS AN IMPORTANT COMMONALITY BETWEEN CHINA AND INDIA**

*China-India Dialogue (CID): In Strategic Dialogues: A Memoir of Dai Bingguo, you remarked that India has developed clear-cut strategic principles and should not collaborate with other countries*

1993



Indian Prime Minister Narasimha Rao (4th left, 2nd row) paid an official goodwill visit to China from September 6 to 9, 1993, at the invitation of Chinese Premier Li Peng (4th right, 2nd row). On September 7, Li Peng and Narasimha Rao attended the signing ceremony of the Agreement between the Government of the People's Republic of China and the Government of the Republic of India on the Maintenance of Peace and Tranquility along the Line of Actual Control in the China-India Border Areas, a major breakthrough following the launch of talks on the boundary question in 1981. [Xinhua/Wang Jingde]

2003



Indian Prime Minister Atal Bihari Vajpayee (right) met with Chinese Vice Minister of Foreign Affairs Dai Bingguo (left) in New Delhi, India on October 24, 2003. They met in order to accelerate settlement of the boundary question between the two countries. [REUTERS / Kamal Kishore]

2004



On July 26, 2004, Dai Bingguo (right), Chinese Vice Minister of Foreign Affairs and Special Representative, met the press with Indian National Security Adviser and Special Representative J.N. Dixit (left) ahead of their meeting, the third on the boundary question between Special Representatives from the two countries since October 2003. [Xinhua/An Zhiping]

2006



On July 6, 2006, the trade point Nathu La Pass at the China-India border reopened after 44 years. Indians trying to reach China through Sikkim showed their travel documents while completing formalities. [Xinhua/Han Chuanhao]



A Tibetan merchant crossed the Indian border post after the Himalayan pass was reopened to border trade in 2006. [REUTERS/Paul Zhang (China)]

*to contain China. Frequent interaction between China, India and the United States since April 2016 has aroused global concern. What do you think of the overall role of India in relations between big powers?*

**Dai Bingguo (Dai):** India is a great ancient civilization, a key rapidly growing emerging economy with considerable potential, and a significant force in promoting world multi-polarization. Since its independence, India has upheld an independent foreign policy. As a pioneer of the Non-Aligned Movement, it initiated and advocated the Five Principles of Peaceful Coexistence, along with China and Myanmar. As Indians claim, their country insists on “strategic autonomy” and is clear about what it considers as acceptable foreign policy. I think this strategy is the result of the common wisdom of generations of forward-thinking Indian politicians and a policy that optimally serves India’s fundamental interests for long-term development. This is an important commonality shared by China and India.

Today, relations between big powers are undergoing profound, complicated changes. The world will inevitably become multi-polarized. How big powers interact and view each other’s development will directly determine whether the international landscape can evolve in a peaceful manner. Just as Chinese President Xi Jinping once stated, big countries should seek no conflict or confrontation, show respect for each other

and cooperate for win-win results. We have noticed that India has maintained a sound relationship and conducted cooperation in various fields with many major countries and regions including China, the United States, Russia, Japan and Europe. The Chinese are delighted to see India develop sound bilateral relations with other big countries and hope that such cooperation will help safeguard regional peace, stability and development. We also hope that major countries around the world can achieve healthy interaction and work together to build a stable framework for relations between big powers featuring lasting peace and common development.

#### BETTER CHINA-INDIA RELATIONS WILL BENEFIT THE WHOLE WORLD

*CID: In the “Foreword” of your book, you wrote that at the height of the historical changes in China and the world as a whole since the beginning of the 21st Century, strategic dialogue has helped China move in an optimal strategic direction and seize greater opportunities. What influence do such historical changes exert on China-India relations?*

**Dai:** Peace and development remain the prominent themes of the 21st Century. Along with the advancement of world multi-polarization and economic globalization, countries around the world have deeply intermingled national interests, and dialogue and cooperation have become the norm. Meanwhile, the rise of emerging economies has

become increasingly evident. As the world’s two biggest emerging economies, China and India have drawn considerable attention due to their rapid development.

The change in the international landscape has fostered new opportunities as well as making the development of China-India relations more important. First, the two countries must pay greater attention to their bilateral ties, and recognize each other as an opportunity. The countries have elevated their relationship to a strategic partnership based on peace and prosperity and are moving towards a closer development partnership. Second, the two countries’ role in maintaining regional peace and stability and promoting common development has become increasingly important. Through effective coordination via regional cooperative platforms, they have enhanced Asia’s importance in the global landscape. Finally, the two countries have a stronger desire to promote strategic cooperation on global issues and have strengthened collaboration to address problems such as the global financial crisis and climate change, thus effectively safeguarding the interests of all developing countries. Over the past decade and more, China-India relations have conformed to the trends of world development and realized a historic leap forward, which has benefited not only the two countries, but also Asia and even the entire world.

#### CHINA WILL NEVER CONTAIN INDIA’S DEVELOPMENT

*CID: In an article contributed to China-India Dialogue, senior Indian diplomat M. K. Bhadrakumar wrote that Indian elites worry that China’s rise in the world order could harm India’s interests. Such a mindset exaggerates competition between China and India, making it difficult for the two countries to advance cooperation in various realms. Have you experienced the converse when dealing with India?*

**Dai:** In recent years, both China and India have made remarkable achievements in economic development, and their global positions have substantially improved. With the further development of their bilateral ties, the two countries have increasingly enhanced mutual strategic trust. They share common interests and positions on some key global and regional issues and work with other developing countries with a common voice focused on safeguarding common interests. Cooperation and friendship between China and India conform to the common interests of peoples of both countries as well as other countries in the region. We are confident about the future of China-India ties.

Of course, China and India face some problems left by history as well as some new issues arising from their development, such as competition in certain economic and trade fields and mutual adaptation in defining their respective interest boundary. Some have doubts about whether the two countries can solve

such problems. However, we must realize that China-India relations have always had far more positive aspects than negative, and that shared common interests far outnumber differences. Cooperation is always the central theme of their bilateral ties. China will neither see India as its rival nor contain India’s development. Responsible Indian politicians should not treat China as a competitor or target of containment.

In the eyes of China, even if there are some competitions between China and India, they are supposed to be healthy competitions that will eventually help both countries develop and progress, instead of political and strategic competitions and zero-sum games. In fact, the rapid development of China-India relations in recent years has melted most of India’s worries about bilateral ties. We hope that people from all walks of life in the two countries can see each other from a more positive perspective and inject positive energy into bilateral relations.

#### ALWAYS OPTIMISTIC ABOUT CHINA-INDIA TIES

*CID: In your opinion, what are the main issues undermining China-India relations? You once noted that China should treat India as a major power rather than just as a neighbor. In this context, what specific foreign policies should China take to improve its ties with India?*

**Dai:** Presently, China-India relations are maintaining positive, stable development. Leaders of both countries



frequently visit each other like relatives, and cooperation in fields such as economics, trade, culture, and security has advanced steadily. Both sides have maintained close coordination and collaboration on international and regional issues. Thanks to their common efforts, China-India ties have become increasingly stable and mature, and friendship has taken root in the hearts of people of the two countries. China-India cooperation has constantly benefited ordinary people.

It is natural to encounter difficulties and challenges when a country develops relations with another, and China and India are no exception. In my opinion, China-India relations are facing the following challenges:

First, mutual political trust should be further improved. Currently, the governments of both countries lack sufficient dialogue and communication channels, and they should accommodate the other's interests and concerns when formulating policies on major issues.

Second, economic cooperation needs to be further expanded. Compared to their enormous economic outputs, China and India still suffer from low mutual trade and investment, and there is a lack of enough support for major cooperative projects between the two countries.

Finally, mutual understanding between the people of the two countries is far from enough. The number of mutual visits by people of the two countries is just over one

million per year, an incredibly low volume considering the nations' combined population of 2.6 billion. Sometimes media outlets in each country are biased when reporting about the other.

However, challenges beget opportunities, and gaps foster potential. I have always been optimistic about China-India ties. I am outlining the challenges facing the two countries in developing their relations in the hope that both sides will confront these challenges, enhance mutual trust and cooperation through concrete action and properly handle their differences. As a matter of fact, great progress has been made in every aspect, and China-India relations enjoy a bright future.

Currently, the development of China-India relations is more than just a bilateral matter. It is of strategic importance globally. For this reason, both countries should comprehensively increase

I have always been optimistic about China-India ties. I am outlining the challenges facing the two countries in developing their relations in the hope that both sides will confront these challenges, enhance mutual trust and cooperation through concrete action and properly handle their differences.

exchanges: State leaders of the two countries need more interaction and deeper strategic communication to guide the overall direction of their bilateral relations. They need to create dialogue mechanisms at various levels and in various fields to deepen mutual understanding and find more consensus on various issues. Both sides need to strengthen cooperation within the frameworks of regional cooperative organizations and mechanisms such as the Shanghai Cooperation Organization (SCO), East Asia Regional Collaboration Mechanism, and South Asian Association for Regional Cooperation (SAARC) and take due responsibility to safeguard regional peace and tranquility. They need also to enhance communication and collaboration on global issues and in international mechanisms such as the Group of Twenty (G20), BRICS, and the UN Millennium Development Goals to contribute to the development of a fairer and more rational international political and economic order.

In a nutshell, both countries must keep an eye on the big picture as well as having a global vision and a responsible attitude towards promoting China-India relations.

#### HARD-EARNED RESULTS FROM TALKS ON THE BOUNDARY QUESTION

*CID: What efforts have China and India made to solve their boundary question, and what outcomes have emerged so far?*

*Dai:* The China-India boundary question has

persisted for a while as a product of Western colonialism. The soonest possible removal of this obstacle will facilitate the strengthening of friendship between the peoples of both countries and promote the rejuvenation of both ancient civilizations. Governments of both countries have always attached great importance to the boundary question. In recent years, Chinese President Xi Jinping and Indian Prime Minister Narendra Modi have reached important consensus that both sides should properly manage their disputes and maintain peace and tranquility in the border areas. This is vital to the healthy, steady development of bilateral relations.

Both China and India have made substantial efforts to solve the boundary question. In 2003, in particular, the governments of the two countries established the mechanism of talks between special representatives to discuss the framework on the settlement of the boundary question from the perspective of the overall interests of bilateral relations. China-India boundary negotiations have since entered a new stage. In the following decade, as China's special representative, I attended 15 rounds of special representatives' talks and an informal meeting with a total of four Indian special representatives across three terms of government. Such experiences have become unforgettable memories in my career as a diplomat.

Both countries aspire to settle their boundary question as soon as possible and in line with their common interests. In the spirit of mutual respect and understanding, the two sides have carried out constructive cooperation and enabled the special representative talks to achieve substantial progress and significant outcomes, namely the "three-step" roadmap agreed on by both sides. The first step was to define the political parameters and guiding principles for the settlement of the boundary question, which took the two sides two years to complete. In 2005, the governments of the two countries signed the Agreement on the Political Parameters and Guiding Principles for the Settlement of the China-India Boundary Question, according to which both sides agreed to make meaningful and mutually acceptable adjustments to their respective positions on the boundary question so as to arrive at a package settlement. Afterwards, the two sides started the second step that aims to reach a settlement framework, for which they have made painstaking efforts across lengthy negotiations. Already, the two countries have reached consensus on several points. For example, both sides agreed to work hard to promote efforts to settle their boundary question in accordance with agreed political parameters and guiding principles. Both sides are determined to seek political settlement of the boundary question, and neither side intends

2009



China's State Councilor Dai Bingguo (right) met with Indian National Security Advisor M.K. Narayanan (left) from August 7 to 8, 2009, the 13th round of talks on the boundary question between Special Representatives from the two countries. [REUTERS/B. Mathur]



On October 1, 2009, Indian soldiers (left) and Chinese soldiers (right) celebrated the 60th anniversary of the founding of the People's Republic of China. [REUTERS/Utpal Baruah]



2010



Dai Bingguo (left), State Councilor of China, shook hands with Minister of External Affairs of India S. M. Krishna (right) at a reception marking the 60th anniversary of the establishment of China-India diplomatic relations in Beijing on April 6, 2010. [CFP]

2012



Chinese Special Representative and State Councilor Dai Bingguo (left) met with Indian Special Representative and National Security Advisor Shivshankar Menon (right) for the 15th round of China-India Special Representatives Talks on the Boundary Question in January 2012, during which the Special Representatives signed the Working Mechanism for Consultation and Coordination on China-India Border Affairs. [REUTERS/B. Mathur]

to seek a settlement of the boundary question based on the status quo. The final step is to complete boundary demarcation according to relevant agreements reached by both sides.

Both sides reaffirm that the boundary question should not be allowed to affect the overall development of bilateral relations, and that until the boundary question is totally settled, both sides should work together to maintain peace and tranquility in border areas. In 2005, governments of the two countries signed the Protocol between China and India on Modalities for the Implementation of Confidence Building Measures in the Military Field Along the Line of Actual Control in the India-China Border Areas. In 2012, the two countries established a working mechanism for consultation and coordination over their border issues. For decades, not a single shot has been fired in border areas, creating a favorable external environment for both countries' peaceful development. Moreover, the two sides have used the mechanism of special representative talks to conduct strategic dialogues on bilateral relations and regional and global issues and enhance mutual strategic trust.

All results achieved by the special representatives' talks reflect the need for the two countries to deepen cooperation and seek common development in the new historical period as

well as a strong willingness of the respective peoples and governments to settle the boundary question as soon as possible. These results have ensured peace and stability in China-India border areas and Asia as a whole, and laid a solid foundation for the two countries to further border negotiations. As fruits of the efforts and wisdom of the two countries and their people, these hard-earned results are worth being cherished by both sides.

#### FINAL SETTLEMENT OF THE BOUNDARY QUESTION

*CID: What is China's fundamental position on the handling of the boundary question? As a Chinese special representative who attended 15 rounds of talks, what do you think are the major differences between China and India on the boundary question? Is it possible for the two sides to overcome these differences and find a permanent solution?*

*Dai:* As we all know, the boundary between China and India has never been formally delimited, and the two countries still have disputes over large border areas. This is the reason the two countries need to carry out border negotiations. China has always remained committed to a peaceful settlement of the boundary question and insisted on seeking a fair, reasonable and mutually acceptable settlement of the boundary question based on historical evidence, national sentiments, and the actual state. As two neighboring big powers, China and India have shared a

history of friendly exchanges for centuries. Settling the boundary question through negotiations is a method inspired by lessons that both sides learned from the past. It meets practical needs and aligns with the common aspirations for the well-being of people of the two countries.

Currently, talks between special representatives have reached a crucial stage for producing a settlement framework. According to the Agreement on the Political Parameters and Guiding Principles for the Settlement of the India-China Boundary Question, both sides should make meaningful and mutually acceptable adjustments to their respective positions on the boundary question in order to reach a package settlement. This is the fundamental guiding principle for exploring potential frameworks to settle the China-India boundary question. To this end, the key is to implement "meaningful and mutually acceptable adjustments". There are disputes over the eastern, middle and western sectors of the China-India boundary. The biggest dispute involves the eastern section, which is vital to a fair, reasonable settlement of the boundary question. It is safe to say that after more than 30 years of negotiations, China and India are now standing in front of the gate towards a final settlement of their boundary question. The gate is a framework solution based on meaningful and mutually accepted adjustments. Now, the Indian side holds the key to the gate.

The China-India boundary

question is certainly a complicated, sensitive matter related to the fundamental interests and concerns of both sides. Negotiations over past decades, as well as global experience in the realm, have shown that the settlement of the boundary question is no small task for either party, and that both sides must make painful decisions and address each other's demands. Special representatives' talks defined the basic principles of settling the boundary question through meaningful and mutually accepted adjustments and reached the consensus that neither side intends to seek a settlement of the boundary question based on the status quo. This is the best way to settle the boundary question found by the two sides through lengthy and painstaking efforts, and it can serve as the foundation for further negotiations. I believe that governments of both countries can win understanding and support from their peoples and settle the boundary question once and for all if both sides respect and care for each other's concerns, make meaningful and mutually acceptable adjustments to their respective positions according to relevant political parameters and guiding principles, and reach a fair and reasonable package settlement.

#### INDIA SHOULD ADDRESS CHINA'S CONCERNS ON THE EASTERN SECTION

*CID: Some Chinese scholars believe that the China-India boundary question will only be resolved if both sides show*

*political decisiveness, especially the Indian side. Do you agree? What is the fundamental obstacle impeding the settlement of the China-India boundary question?*

*Dai:* The essential nature of the China-India boundary question is the need to correct wrongs made by colonialists and to restore fairness and justice. For historical reasons, India now controls the majority of the disputed territory. The boundary question was not created by China or India, so we shouldn't be inheriting it and letting the ghosts of colonialism continue to haunt our bilateral relations.


The focus of negotiations is the dispute over the eastern section of the China-India boundary, which is actually a result of Western colonialists' attempts to split China. The Chinese government was not a signatory of the Simla Accord of June 3, 1914 and announced that it would not recognize the accord or similar documents that Britain and representatives from China's Tibet signed on that day, or in the days that followed. From the perspective of international law, the Simla Accord, as well as the "McMahon Line" which it created, are not only unfair and illegitimate, but also illegal and invalid. The disputed territory in the eastern sector of the China-India boundary, including Tawang, is inalienable from China's Tibet in terms of cultural background and administrative jurisdiction. In fact, not until February 1951 was the local government of

The major reason the boundary question persists is that China's reasonable requests have not been met. If the Indian side takes care of China's concerns on the eastern section of their border, the Chinese side will respond accordingly and address India's concerns elsewhere.

Tibet forced to stop its actual administration of Tawang. Even British colonialists who drew the illegal "McMahon Line" respected China's jurisdiction over Tawang and admitted that Tawang was part of China's Tibet. They even expressed willingness to move the "McMahon Line" through consultations to confirm Tawang's position as part of China's Tibet.

Both China and India were victims of colonialism. The Indian people realized national independence through a heroic struggle. In this context, both countries should support each other and work together to eradicate the insidious influence of colonialism. The major reason the boundary question persists is that China's reasonable requests have not been met. If the Indian side takes care of China's concerns in the eastern sector of their border, the Chinese side will respond accordingly and address India's concerns elsewhere. In this way, both countries can shake off the nagging chains left by colonialists and better work together to promote common development, achieve respective rejuvenation and herald the arrival of the Asian Century.

History has proven that

a clear-cut, stable border between neighboring countries is an indispensable factor in maintaining long-term friendship and peace, as shown by China's efforts to settle boundary questions and develop friendship with 12 neighboring countries including Russia and Vietnam. For neighbors like China and India, timely settlement of their boundary question aligns with both countries' core interests, and calls for strong political will and decisiveness. I believe that the two countries will settle their boundary question – a major obstacle and hidden danger that could affect the development of bilateral ties – and continuously improve their relations, as long as the two sides are committed to the fundamental and long-term interests of the two countries and their people, and uphold the spirit of respecting history, ensuring equal consultation, promoting mutual understanding, accommodating each other's concerns, maintaining the positive momentum sparked by special representatives' talks and insisting on advancing negotiations until the boundary question is settled. 



A sign at the eastern boundary of China and India reads "INDIA-CHINA FRIENDSHIP FOR A BRIGHT AND GLORIOUS FUTURE". [REUTERS]

2015



Chinese State Councilor Yang Jiechi (left), Chinese Special Representative on the China-India Boundary Question, met with Indian Special Representative and National Security Advisor Ajit Doval (right) at Hyderabad House in New Delhi, India, on March 23, 2015, during the 18th round of talks on the China-India boundary question. [Xinhua]

2016



Chinese President Xi Jinping met with Indian Prime Minister Narendra Modi in the Indian state of Goa, on October 15, 2016. Xi said that a healthy and stable China-India relationship is conducive not only to both countries' development, but to safeguarding the developing countries' reasonable interests in global governance and international systems. Modi said that it is in the two countries' as well as the region's common interests for India and China to maintain frequent high-level exchanges and strategic communication. India and China have the responsibility to join hands and turn the 21st century into an Asian century. [Xinhua/Xie Huanchi]

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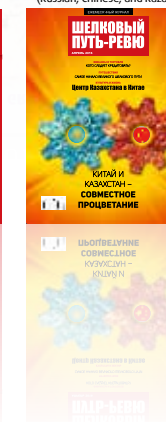
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# Modi Reforms: Dawn of a Modern Country

By Zhou Yijun

At the center of Nehru Park in New Delhi stands a statue of Lenin. It serves as a reminder: a planned economy was carved into the memories of this country. Taking a train in India, visitors may have an experience of the country's railway system: low fares but inefficient operation casting a shadow on the planned economy, and productivity giving way to social justice. In 1951, then Indian Prime Minister Jawaharlal Nehru set up a planning commission and became the commission's first president. He hoped that India could follow the national development model introduced by the Soviet Union and promote an economy with national planning.

This organization existed for 65 years until it was abolished by Modi when he came to power. Modi then established the National Institution for Transforming India (NITI).

Modi reorganized some government agencies with characteristics of a planned economy such as the Cabinet Committee on Management of Natural Calamities, the Commission for Agricultural Costs and Prices, the WTO Affairs Committee and India's Recognition Committee. But these adjustments are only the tip of the iceberg. Land, labor and taxation are the three obvious obstacles blocking India's market economy – all unavoidable problems for Modi's reform.

## LAND REFORM DILEMMA

In 2013, India's parliament passed *The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act*, which specified that the government can acquire land for public purposes and control it directly. Consent from the landowner is not required. However, when the government acquires the land for private companies,

the consent of at least 80 percent of affected families must be obtained through a formal process before the government uses its power under the Act to acquire the remaining land for public good. In the case of a public-private project, the consent of at least 70 percent of affected families is required. Because of this arrangement, land acquisition negotiations often go into deadlock. It was promoted as "protecting the interests of the poor", but this bill has actually hindered the economic development of India. If someone tries to amend it, he or she will be shamed as a "lobbyist for capitalism".

However, the Modi government has demonstrated the courage to make difficult reform moves. In early 2015, the Modi administration proposed the *Land Acquisition Amendment Bill*, at the core of which is land acquisition in accordance with the market prices for public infrastructure projects and Industrial Economic Corridor projects without acquiring permission from owners. Members of the Gandhi family in Congress are strongly opposed to the bill on the grounds that they "want to protect farmers' land". The current government still does not have enough support to pass the proposed amendments.

## LABOR ACT RESTRAINS EMPLOYMENT

India's current labor bill also features strong characteristics of a planned economy. In the name of

protecting the interests of workers, it has severely hampered the development of enterprises and inhibited employment opportunities. Many related laws in India's current labor system, in accordance with *The Contract Labor (Regulation And Abolition) Act, 1970*, prohibit enterprises of more than 100 workers from firing employees, adjusting their positions, changing the working environment or upgrading technology facilities without permission from the government. The law still applies when the enterprise is teetering on bankruptcy.

Although the relevant provisions of these labor laws are intended to protect the interests of workers, they in fact limit the production scale of many Indian enterprises. According to data released in 2009, 84 percent of India's manufacturing enterprises employ less than 50 workers. Facing the pressure head on, the Modi administration has committed to reform the labor law. *Labor Laws Act 1988* and the *Apprentices Act of 1961*, both currently in effect, granted more freedom to entrepreneurs. *The Factories Act of 1948* prohibits women from working at night and placed many more restrictions on their employment. Although the Lok Sabha passed an amended version of the bill in November 2014, it was ultimately shelved due to opposition by Rajya Sabha.

## BREAKTHROUGH ON TAX REFORM

Indian states reserve the power to impose different rates and taxes on goods and services traded in their respective jurisdictions. Trade between states is like that between countries. Complicating the problem, central and local governments collect taxes repeatedly, hampering domestic trade and scaring off foreign investors. Recent government efforts such as the promotion of the Goods and Services Tax (GST) hit bottlenecks due to political disputes and arguments over the shares allocated to central and local governments. But thanks to the efforts of the Modi government, the Rajya Sabha passed the constitutional amendment bill on the evening of August 3, 2016. A single GST will gradually replace all existing tax requirements. This move is considered the most significant breakthrough of Modi's series of reforms.

As Modi's reforms progress, foreign investors are gaining confidence in the investment environment in India. This psychological change is also backed by economic data: India received 63 billion CNY of FDI investments last year to become the world's top destination for annual green field investments.

## POPULATION: A DOUBLE-EDGED SWORD OVER MODI'S HEAD


As 2017 begins, Modi will have to face new challenges. In the long term, Modi must contemplate India's population. Of the 1.2 billion

people in India, about 72 percent are under the age of 30. Amazingly, the median age in the country is just 26.9 years old. But a massive population of youths does not necessarily provide demographic dividends. It could be an advantage, but could also be a huge challenge.

Impeding the glory of such a populous country are the problems of widespread poverty, unhealthy conditions and poorly educated young people. This group of people is almost isolated from the market and does not produce or consume anything. Modi's historic mission is to drag these hundreds of millions of "outsiders" back into a unified and open market and give them a chance to produce and consume, live happy lives and serve society. Without overcoming this roadblock, it would be difficult for India to achieve continuous development, and the country could fall back into poverty.

It is difficult to achieve progress in a country obsessed with its glorious past and contemporary GDP numbers. Modi clearly agrees with this point and is working to shake Indians out of the illusion. He is firmly promoting market-oriented reform to nudge the Elephant into the global market.

It may be a difficult journey, but it is a must for the birth of a modern nation.

All the best wishes for 2017, Mr. Prime Minister. 

*The author is a Chinese diplomat who has served in India.*

# China's 2017 Economic Prospects

By Huang Hanquan

**BASED ON THE FIVE DIVIDENDS FROM REFORM, OPENING-UP, PROFESSIONAL DEVELOPMENT, REGIONAL DEVELOPMENT AND URBANIZATION, THE CHINESE ECONOMY IN 2017 WILL MAINTAIN COMPARATIVELY HIGH GROWTH WITH AN EXPECTED RATE OF 6.5 PERCENT OR GREATER.**

Last year marked the beginning of China's 13th Five-Year Plan (2016-2020). Amidst domestic worries in various sectors, the Chinese economy made a solid start and continued to contribute positively to world economic growth. In 2017, China will face even more complicated and faster-changing domestic and international situations, with increasing uncertainty. Against this backdrop, whether China can maintain its comparatively high economic growth rate of more than 6.5 percent has become a question of global interest.

## 2016 ECONOMIC PERFORMANCE

To address serious issues and domestic problems plaguing China's economy, the government adapted to the new normal of

economic development in 2016, committed to a new innovative, coordinated, green, open and shared development model, and pushed supply-side structural reform to successfully meet major projected goals for economic growth and set a solid foundation for accomplishing the building of a moderately prosperous society in all respects.

The economy operated within an appropriate range, as manifested in "four stabilities and one decline." The first stability was growth. China's GDP growth rate in the first three quarters of 2016 averaged 6.7 percent, as did the projected annual growth rate. The figure landed right in the middle of the economic goal of 6.5 to 7 percent set in early 2016, indicating that China's economy will now grow in an L-shaped path.

The second stability was employment. The first three quarters of 2016 witnessed the creation of 10.67 million urban jobs, which met the annual goal of 10 million ahead of schedule. And this figure was expected to surpass 13 million by the end of 2016. The third was stability of commodities prices. In 2016, China's commodities prices rose around the start and end of the year, but stayed low at other times. The Consumer Price Index (CPI) from January to November increased 2.2 percent on a year-on-year basis, lower than the control objective of 3 percent. The fourth was the stability in consumption. The country's total retail sales of consumer products from January to November 2016 increased 10.4 percent year-on-year, slightly lower than the growth rate of the same

period in 2015. China has become the world's second-largest consumer market and facilitates the greatest total volume of e-commerce in the world. The one decline refers to both exports and imports. From January to November 2016, China's total volume of imports and exports dropped 1.2 percent year-on-year, with exports falling by 1.8 percent and imports by 0.3 percent. The drop tended to narrow month by month.

Economic quality and efficacy improved as well as corporate performance. From January to November 2016, added value of industrial enterprises above a designated size increased by 6.2 percent on a year-on-

Industrial Products (PPI) went positive and has since increased month by month to 3.3 percent in November. With PPI going positive for the first time in 54 months, the Chinese economy has avoided deflation.

The economic structure has been upgraded. Since 2010, the growth rate of China's service sector has surpassed that of industry. In 2013, the share of the service sector in China's national economy first surpassed that of secondary industry, promoting the transformation of the economic structure from investment and export-driven to consumption-driven and of industrial structure from industry-dominated to

the three industries in relation to the total economy are 8.5, 39 and 51.5, respectively.

The pace for the changing of economic growth engines is accelerating. In 2016, traditional industries, including iron and steel, coal, nonferrous metal, building materials and petrochemicals, continued to see declining growth rates. Emerging industries such as high-end equipment, robotics, energy conservation, environmental protection, new energy automobiles, and new internet operational models and service industries such as healthcare, senior care, tourism, culture and sports are developing at breakneck speed. In the first three quarters of 2016, added value for strategic emerging industries, as well as new and high technology industries, increased by more than 10 percent, four percentage points higher than the industrial growth rate. More than 4 million enterprises registered in the first three quarters of 2016, an increase of 27 percent on a year-on-year basis. The majority of these enterprises are in the service industries such as data delivery, software, information services, finance, culture, sports, entertainment, education, health, and social work.

## PROBLEMS AND RISKS

At present, downward pressure on the Chinese economy continues to mount, and many serious issues and deep-rooted domestic problems remain unresolved. The accompanying financial

February 27, 2016: A technician assembles a vehicle in a Changsha-based factory. [Xinhua]



year basis. The coal industry saw profits double in 2016. The iron and steel industry reaped profits of more than 30 billion yuan in 2016 after a deficit of over 50 billion yuan in 2015. In September 2016, the Producer Price Index for

service-sector-dominated. In the first three quarters of 2016, final consumption contributed 71 percent of economic growth, up 13.3 percent over the same period of 2015. After structural adjustment, the proportions of





China Iron and Steel Industry Association asserts that in 2017, it will further regulate the market order of imported iron ore trading, strictly implement an iron ore import agent system, and set the price decided by both buyers and suppliers as the national uniform price for 2017 imported iron ore in China. [CFP]

risks should not be ignored.

The weak export outlook presents a daunting challenge. In recent years, soaring labor costs have decimated China's low cost competitive advantage on exports. Labor-intensive industries are relocating to India and Southeast Asian countries where labor costs are lower. China's market share of traditional exports has gradually shifted to those countries. Although China's currency, the RMB, depreciated significantly against the U.S. dollar in the second half of 2015, commodities exports didn't increase and even decreased most months. China's current export mode, with traditional industrial products at the core, cannot be sustained. If China cannot quickly improve the structure and quality of exported products, further export decline is inevitable. The year 2014 was likely the peak of China's exports as a proportion of the global total.

China's real economy, especially traditional industries, is still facing tremendous difficulties. With

increases in China's resource and environmental costs as well as burdens including comparatively high taxes, fees and social security payments, the operational costs of China's enterprises are rapidly rising and profits are declining drastically. Many private, medium and small enterprises in particular are facing operational difficulties and lack confidence in future development, resulting in a sharp decrease in private investment. Private investment in the first three quarters of 2016 increased by only 3.1 percent on a year-on-year basis, far below the growth rate of 10.2 percent in the same period of 2015. Since private investments account for more than 60 percent of China's total, if the situation doesn't change, China's real economy will lose development momentum and international competitiveness. In August 2015, the Boston Consulting Group (BCG) released *The Shifting Economics of Global Manufacturing*. In the report, BCG opined that while China's manufacturing-cost advantage over the U.S.

was 13.5 percent in 2004, the figure shrunk to 4 percent in 2014, almost a 1 percent loss every year. It is estimated that by 2018, manufacturing costs in the U.S. will be lower than in China by 2 to 3 percent.

Financial risks are still mounting along with other hidden dangers. In great contrast with the sluggish real economy, the virtual economy and asset price bubbles have been growing. Although no major financial risks have been triggered yet, potential dangers should not be ignored. Like the world's major developed economies, China is in an era of abundant liquidity. Massive sums, or "hot money," are making their way into equity, real estate, bonds, and foreign exchange markets. Poor handling of this situation could easily lead to a chain reaction in the market. The ups and downs of China's stock market in early 2016 and on the foreign exchange market in recent months have illustrated this point.

Based on the current situation, China's financial risks are primarily located in the following sectors:

First, the risk of bad debt increases when capacity drops. Preliminary statistics show that China's four industries with severe overcapacity — coal, steel, non-ferrous metals, and cement — have accumulated a total debt of 5.4 trillion yuan. If this situation is not properly addressed, the risk of large-scale debt default will rise. Only a default rate of 30 percent will drive up the non-performing loan ratio of Chinese commercial banks to

1.5 percent and further affect the credibility of the country's entire financial system.

Second, polarization risk in the real estate market has been exacerbated by China's surplus of unsold homes. A series of policies aimed at clearing the property glut across China has further boosted housing prices in first-tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen as well as in some more developed second-tier cities. In such cities, the housing price-to-income ratio measures well above 10 and even as high as 20, indicating a large housing bubble. Still, real estate sales in most third and fourth-tier Chinese cities were poor, and the real estate surplus is yet to be solved. Incidents like capital chain breaks and property developers abandoning half-finished projects are common.

Third is the risk of high leverage ratio on debts. Since the 2008 global economic

recession, China, and its enterprises especially, have witnessed a rapid growth in leverage ratio. By the end of 2015, China's debt-to-GDP ratio (finance sector excluded) reached 250 percent, which is quite high compared to the rest of the world. Although government debt and household debt accounted for only 43 percent and less than 40 percent, respectively, well within appropriate ranges, enterprise debt reached 166 percent, the highest among the world's major economies. China's enterprise debt measured 1.7 times the average in developed countries and 3.5 times the average in emerging markets.

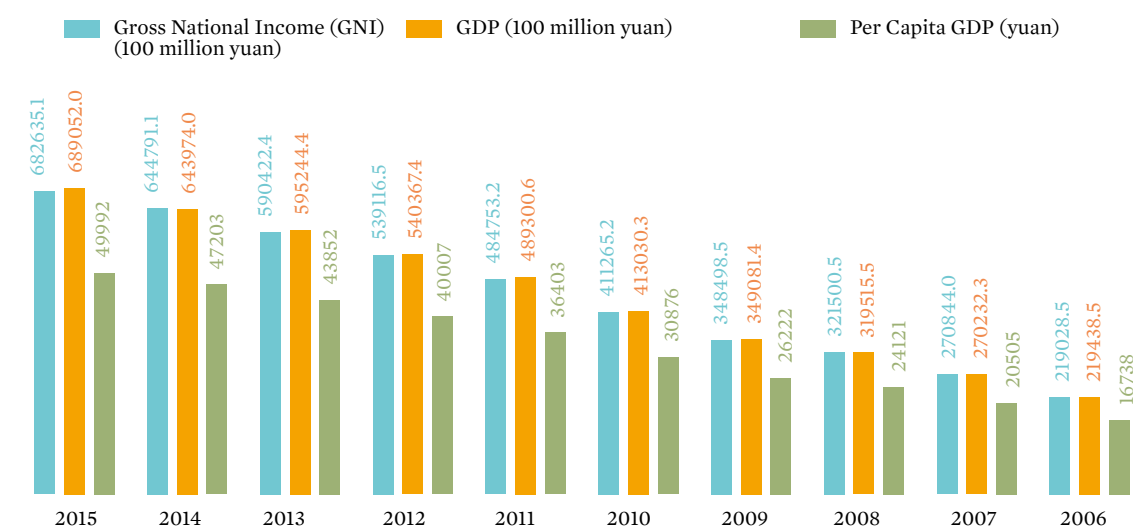
Fourth is fluctuation risk on the currency market brought about by devaluation expectations on the RMB. In 2015, China saw its first net capital outflow. In 2016, the country's capital outflow further increased by a large margin. From January to

November in 2016, China's investments in foreign countries were valued at about US\$162 billion, an increase of more than 55 percent over the same period of 2015. With the progress of the Belt and Road Initiative, Chinese enterprises are venturing to foreign lands along with investments and acquisitions. Besides, some foreign capitals are withdrawing from China and transferring to other countries. Thus, China's foreign exchange market has shouldered great pressure from fund outflow and RMB devaluation.

## CHINA'S ECONOMIC OUTLOOK FOR 2017

In 2017, the international environment and its relation to China's economy are bound to become more complicated by increasing uncertainty. The most glaring uncertainty lies with foreign and domestic policy adjustments to come from U.S. President Donald Trump now that he has

## China's Gross Domestic Product (GDP) (2006-2015)



Source: National Bureau of Statistics of the People's Republic of China

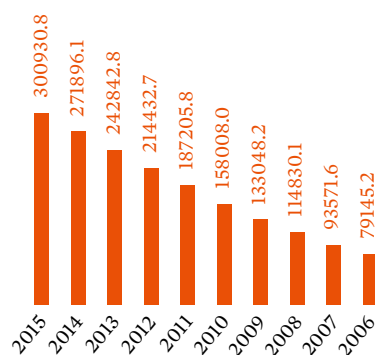


Chinese e-commerce giant Alibaba made a record 120.7 billion yuan from sales on its major shopping websites in just 24 hours on 2016 Singles' Day (November 11), a record amount in global retail for any single day. Moreover, during this spending spree, the wireless transaction volume accounted for 82 percent of the total. [CFP]

formally taken office. Actually, Trump's policy adjustments present both pros and cons for China. On the positive side, Trump promised to increase infrastructure investment and cut taxes during his campaign, which will increase U.S. demand, stimulate investment, and promote imports, further stimulating the economic growth of the U.S. and the world while improving China's environment for international demand.

### China's Total Retail Sales of Consumer Goods 2006-2015

(100 million yuan)



Source: National Bureau of Statistics of the People's Republic of China

However, on the flip side, Trump could enact a series of protective measures against Chinese exports to the U.S., potentially levying prohibitive duties, which would lead to greater economic and trade friction between the two countries.

Although the Chinese economy is facing challenges and risks domestically, its comparatively high growth rate creates many advantages. First, China's deepened reforms will create a more favorable environment for entrepreneurship and innovation, releasing the reform dividend. Second, China's further implementation of the Belt and Road Initiative will promote a heavier volume of imports at advanced levels as well as exports through various channels, re-shaping the opening-up dividend. Third, the comprehensive implementation of China's innovation-driven development strategy will kindle enthusiasm from the world's largest group of engineers and university students, cultivating a new

professional dividend. Fourth, the implementation of regional development strategies such as the Beijing-Tianjin-Hebei integration initiative and the Yangtze River Economic Belt initiative will reinforce cooperation between more developed and less developed areas in China, building up the regional development dividend. Fifth, progress in new urbanization will effectively enhance the labor productivity of around 100 million people with rural household registration living in China's urban areas, enlarging the urbanization dividend. Based on the five dividends, the Chinese economy in 2017 will maintain comparatively high growth with an expected rate of 6.5 percent or greater.

In 2016, the Chinese government launched a number of measures and supporting policies for supply-side structural reform. The country has obtained positive results in terms of decreasing capacity, reducing the volume of unsold homes and reducing costs. Annual goals of cutting excessive capacity of 45 million tons of steel and 250 million tons of coal have been completed ahead of schedule, fostering the recovery of business activity and improved business operations. The country's unsold residential floor space has dropped for seven consecutive months, and replacement of the business tax with value added tax (VAT) has reduced costs for Chinese enterprises by 500 billion yuan. However, the country's efforts to reduce

**Like the world's major developed economies, China is in an era of abundant liquidity. Massive sums, or "hot money," are making their way into equity, real estate, bonds, and foreign exchange markets. Poor handling of this situation could easily lead to a chain reaction in the market.**

leverage and improve weak links need further analysis.

Promoting supply-side structural reform is a key part of China's 13th Five-Year Plan. This year will bring deepened supply-side structural reform. The 2016 Central Economic Work Conference, which just concluded in December, mandated deep supply-side structural reform in 2017, which means that reform will be further intensified in the coming year.

In terms of solving overcapacity, China has already issued two general documents on the steel and coal industries, and eight supporting documents on rewards and subsidies, taxation, finance, employee resettlement, land resources, environmental protection, quality, and security. The key work for 2017 remains policy implementation, especially employee resettlement.

In terms of reducing the number of unsold homes, instead of relying on administrative measures and rapidly changing regulatory policies as in 2016, China in 2017 will focus on exploring a long-term mechanism to boost the healthy development of

the real estate industry.

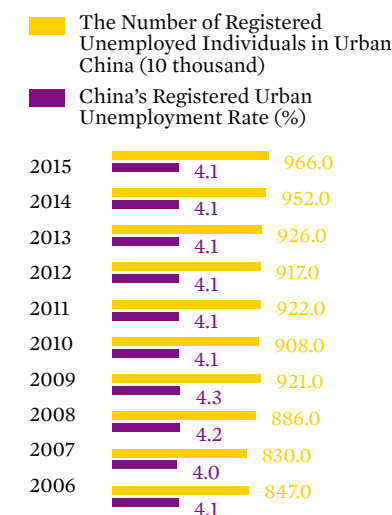
In terms of reducing leverage, China will transform banks' non-performing loans to enterprises into equity held by asset management institutions through debt-for-equity swaps.

In terms of reducing costs, China will improve its practice of replacing business tax with VAT and at the same time further reduce taxes and fees, especially reducing the VAT rate on the manufacturing industry.

In terms of improving weak links, China will increase its investment in agriculture, poverty alleviation, improving public livelihood, ecological protection and innovation in 2017.

In terms of the country's macroeconomic policy in 2017, China will continue to adhere to a proactive fiscal policy and a prudent monetary policy, but with a different intensity. Fiscal policy will be even more proactive. The Chinese government will raise spending by increasing its budget deficit, but at the same time, reduce the cost of the real economy and promote upgrades of the industrial structure through structural tax cuts. China's

The Number of Registered Unemployed Individuals and the Registered Unemployment Rate in Urban China



Source: National Bureau of Statistics of the People's Republic of China

monetary policy will remain prudent and neutral in 2017. Since expectations about the country's inflation in 2017 are on the rise, the country's broad measure of money supply (M2) needs to avoid being too loose or too tight to keep commodity prices within a reasonable range. It is expected that the M2 growth rate in China will stay at 12 percent in 2017, the same as 2016. Prudent monetary policy fosters stable exchange rates, and the Chinese government will keep the RMB stable in 2017 to maintain the balance of increased exports and capital flow. ■

The author serves as director of the Institute of Industrial and Technological Economics under the Chinese Academy of Macroeconomic Research.



# India's Slow Steps into 2017

By Deepa Nair

## A SERIES OF NECESSARY REFORMS COULD SLOW ECONOMIC GROWTH.

Despite the positioning of the 'development agenda' as a flagship goal of the current Indian government led by Prime Minister Narendra Modi, a web of complicated rules for taxation and compliance procedures has resulted in India consistently ranking as one of the toughest nations in which to start a business.

India's massive young population and fast-growing middle class are providing a growing market for foreign companies hoping to expand their operations. However, the persistent red tape has been a serious deterrent.

Entrepreneurs and industry leaders have long complained that India's complex and outdated labor laws and the wide discretionary powers of labor inspectors have been major impediments for expanding Indian manufacturing and exports, despite the abundant

supply of affordable labor. Indian businessmen are often subjected to heavy-handed, arbitrary or corrupt enforcement of regulations and bureaucratic scrutiny, which is largely referred to as "inspector raj".

China and other Asian countries have rapidly strengthened labor-intensive industries and export-friendly tax policies, but Indian manufacturing has remained stagnant at roughly 18 percent of national economic output. India consistently ranks on the wrong end of the World Bank's listing for "ease of doing business."

The current government, led by the right-wing Bhartiya Janta Party, won an overwhelming, historic majority in 2014 on a platform of development and good governance, riding a wave of popularity surrounding the former Chief Minister of Gujarat and current Prime Minister Narendra Modi. Widely considered



September 25, 2014: Indian Prime minister Narendra Modi greets delegates during the launch of the "Make in India" project in New Delhi. [CFP]

an investor-friendly official, Modi facilitated a booming economy and lured major foreign and Indian companies to invest in his coastal state, which gained fame for its entrepreneurial spirit and comparative ease of doing business.

Since Modi became Prime Minister, his government has introduced a series of reforms to eliminate arcane rules and simplify procedures.

On a positive note, in 2015, India became one of the world's fastest-growing major economies, with a gross domestic product growth

of 7.6 percent. Slumping oil prices have helped curtail inflation and improve corporate margins, and a rebound in farm output has helped strengthen current and fiscal accounts.

Modi's opening of sectors such as railways and defense helped draw record foreign direct investment in 2015—during a period when investors were fleeing emerging markets. That inflow has helped lift foreign exchange reserves by US\$47 billion since the end of March 2014 to US\$350 billion at the end of December, 2016.

Modi also aims to transform the nation into a global manufacturing hub with his "Make in India" initiative. The program has resonated with global leaders and attracted more than US\$400 billion in overseas investment commitments. If all the deals hold up, they would account for more incoming investment than the country has seen in over a decade. The government hopes to create 100 million new factory jobs by 2022 and lift manufacturing's share of the economy up to 25 percent by 2022 from about 18 percent when Modi took office.

Many of the initiatives meant to make business easier are significant individually. Eliminating forms, facilitating certain processes online, setting deadlines for approvals, allowing self or third-party certification, and simplifying and illuminating processes have made business much easier. The *Arbitration and Conciliation (Amendment) Act*, which went

into effect in 2016, fixes many problems with the *Arbitration and Conciliation Act* of 1996, including long, drawn-out proceedings resembling court cases. The new law facilitates speedy resolution of disputes. For infrastructure companies dogged by arbitration cases, the move has lifted a huge burden.

### UNIFORM TAX SYSTEM

Described as the biggest reform aiming to simplify the colossally complex Indian tax system, the Goods and Services tax, known as "GST", has been languishing in the Indian parliamentary system for over a decade. The Modi government plans to replace local taxation with a uniform federal tax system for the entire nation, with local deficits offset by federal funds. Once fully implemented, it would increase the ease of doing business in India in leaps and bounds. The GST is also expected to introduce a simple, efficient and uniform indirect tax structure to India via a comprehensive tax levied on all goods and services together.

The GST plan is intended to eliminate many shortcomings

of the existing indirect tax structure. The GST Council is finalizing brackets after the Centre and State agreed to a 4-bracket structured at 5 percent, 12 percent, 8 percent and 28 percent.

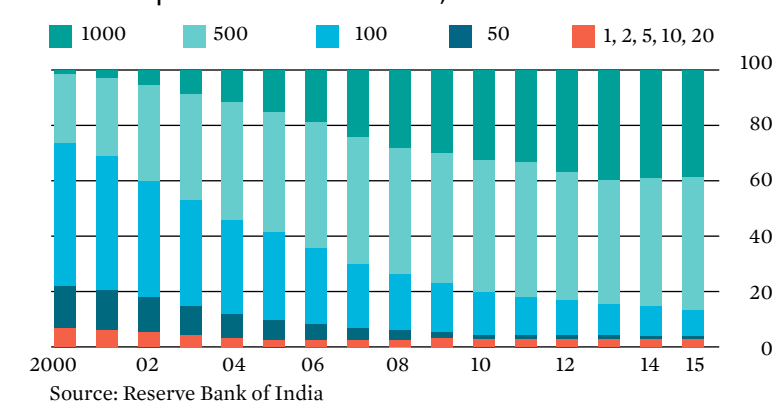
The tax will be implemented in stages beginning in the fiscal year that starts April 1, 2017.

Although analysts and industry leaders are not ruling out initial hiccups while moving towards the 'One Nation, One Market' concept under the GST regime, Indian industry is set to benefit from the new tax system in a big way over the years.

A year after the GST goes into effect, it will help to more efficiently allocate resources, eliminate supply disruptions, put inflation in check, buoy tax revenues and improve compliance, leading to a two-percentage-point increase in economic growth.

The manufacturing sector in particular is expected to be a big beneficiary of the GST when the economic system becomes more competitive. Because the GST will be aligned with an information technology platform, the tax payment

Indian rupee notes in circulation, % of total value



system will also be streamlined. It will certainly be a tough task to roll out the GST in a nation as vast and complex as India, but the new tax system is expected to eventually become standardized and workable after fine-tuning and alignments across various states.

### CURRENCY CRACKDOWN AND IMPACT

Another major step was the Indian government's sudden move to withdraw larger banknotes from circulation to combat corruption. The demonetization sent shockwaves through the Indian economy.

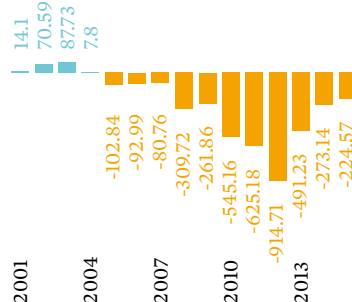
The elimination of 500 and 1,000 rupee bills, which constituted over 80 percent of liquid cash in the economy, was intended to flush out money hidden from the tax collectors. However, it has led to confusion and anger among citizens throughout the country, who are having a harder time accessing their money. The decision caused a rush to banks, where thousands queued up to exchange old notes for new ones. ATMs closed suddenly to be recalibrated

February 7, 2011, Old Delhi: A man selling sweets pushes his cart through the streets in the Main Bazaar. [CFP]



### India Current Account

USD million



to accommodate the new currency.

With money becoming scarce and cash being returned to the banking system, less organized institutions such as small and medium sized businesses endured the worst troubles. As the old 500 and 1,000 rupee notes are reintroduced to the banking sector, deposits are likely to swell, and lending and deposit rates could fall by year-end. Government bonds have already seen an impressive rally.

Most of India's rural economy runs on cash, so the government has been taking active steps to move the system to the digital world, where a virtual paper trail makes tax evasion much riskier.

Shortly after winning a majority in the 2014 elections, the BJP government announced that it would launch a scheme called the Pradhan Mantri Jan-Dhan Yojana, to improve financial accountability. The program involves massive tasks such as opening empty bank accounts for the entire Indian population and issuing debit cards, enhancing overdraft

protection and providing insurance coverage. The program is intended to introduce poorer citizens to banking facilities and empower them by encouraging savings and easing loan delivery and direct cash transfers.

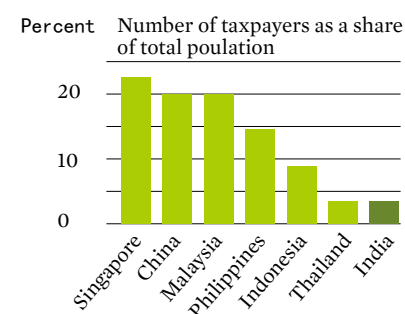
According to estimates, a record 160 million bank accounts were opened, with a volume that set a Guinness World Record. However, analysis showed that the vast majority of bank accounts stayed empty and unused, creating a huge strain on banks. Simultaneously, the government launched an income declaration program that encouraged people to report previously undisclosed income or assets by offering immunity in exchange for a simple 45 percent tax on the assets. After the currency move, however, the new bank accounts started seeing a massive influx of funds alongside many allegations of impropriety. Law enforcement agencies have been closely monitoring activity for large, sudden deposits.

However beneficial the move will prove in the long run, especially if accompanied by other steps to curb dirty money, the black market's admittance to the books will cause an uptick in terror financing and major tax collection, resulting in intense short-term pain. Moreover, the government's critics argue that the administration may have underestimated the economic costs of removing cash—even temporarily—from a

largely cash-based economy. They paint an alarming portrait via tales of grief, dislocation and uncertainty, with stories of disrupted food and medical supplies and large labor-intensive sectors of the economy becoming effectively paralyzed for months.

Critics, who believe that most illegally acquired money is stashed abroad or converted into assets such as real estate and gold, have also questioned the ultimate effectiveness of the scheme. They argue that the policy largely only hurts the vulnerable, small businessmen and traders. Opposition parties argue that implementation was poorly planned, causing severe hardship for a vast section of the public, and that the actual economics of the scheme do not add up. During his 2014 election campaign, Modi promised to bring to light billions of dollars that he claimed were illicit funds held in overseas bank accounts.

### Taxpayers in the Total Population of Some Emerging Economies (percent)



Source: News sources, Goldman Sachs Global Investment Research

Economists estimate that growth in India could fall by 0.7 to a full percentage point in the next year, with the maximum impact on the next two quarters after such a large contraction in effective money supply.

While the Indian government has embarked on some big reforms, not all of Modi's policies have been aimed at courting foreign investors. In a bid to boost the domestic steel sector, which has slumped, the Commerce Ministry recommended a provisional anti-dumping duty of up to US\$557 per ton on sheet and plate imports from six countries: China, Japan, South Korea, Russia, Brazil and Indonesia.

On the domestic front, some other key aspects of governmental reform have also come up short. The BJP government has been unable to amend the land acquisition bill, which has caused nightmares for many businesses trying to acquire land in India. The government has also preserved mechanisms to impose taxes retroactively, causing headaches for foreign investors, and shelved efforts to make labor laws more flexible.

Furthermore, exports remain weak, and bad loans rose to a 14-year high by the end of September, presenting a potential drag on growth, while corporate profits bottleneck economic expansion. Despite consistent steps by the Indian government, the country continues to rank near the bottom in ease of doing business.

### TRUMP FACTOR AND BREXIT

Global uncertainty is also likely to affect the Indian economy. The globalization trend is currently facing a major crisis. Like a thunderous echo of the Brexit moment, Donald Trump was elected 45th President of the United States after campaigning against globalization. India's IT exports to the U.S. are valued at US\$80 billion and account for over two-thirds of all of the country's IT exports. If Trump acts on his H1-B visa promise, it could be disastrous for India's tech sector. About 1.7 million such visas are currently issued each year. A cut on U.S. corporate taxes from 35 percent to 15 percent could lead to an American corporate exodus from India, especially in sectors such as automobiles, IT, computers, insurance and chemicals.

While India may be poised for long-term economic growth, it has swallowed a bitter pill meant to treat the symptoms of a fragile economic recovery and could see a resulting short-term slump as the impact of some of the radical legislative changes and reforms settles in. The Indian economy is expected to slow in the first half of 2017 but pick up later in the year, as the country adjusts to some of these changes. ■

The author is an Indian freelance business journalist. She has covered business and finance for the Hindu Business Line, reporting on topics such as banking, insurance, education, and healthcare. Currently, she also works as a communications consultant for Bajaj Allianz General Insurance.



# New Opportunities Under RCEP

By Wang Jinbo

THE EARLY COMPLETION OF THE RCEP WILL PROVIDE A NEW PATH AND PLATFORM FOR CHINA TO INTEGRATE WITH SOUTH ASIA AND FOR INDIA TO BETTER INTEGRATE WITH THE ASIA-PACIFIC REGION.

Both Asia-Pacific regional cooperation and the global economic and trade landscape are undergoing a process of restructuring. U.S. President Donald Trump signed an executive action to withdraw the United States from the Trans-Pacific Partnership (TPP) almost as soon as he took office, endangering the deal as a whole and shaking global markets.

Some analysts believe that once the plan is approved by the U.S. Congress, the TPP trade deal will reach a dilemma. Negotiations were already completed, which resulted in a trade agreement favoring the interests of Wall Street and transnational firms. Considering Trump's business background and Wall Street-friendly cabinet picks, he doesn't look as poised to challenge powerful interest groups as, say, Lincoln or Kennedy were. Moreover, it is too early to determine whether the U.S.

Congress will endorse the country's withdrawal from the TPP.

For this reason, it is likely that two regional trade agreements, the TPP and the Regional Comprehensive Economic Partnership (RCEP), will both be implemented in the Asia-Pacific region. At the same time, the wave of adjustment of international trade and investment rules stirred up by the Transatlantic Trade and Investment Partnership (TTIP) and the Trade in Services Agreement (TISA) is becoming yet another major external factor impacting the economic development of Asia-Pacific countries.

How to optimally balance the relationship between the TPP and the RCEP and the relationship between global trade standards and Asia's actual conditions has become a crucial issue for Asia-Pacific countries, especially China and India. The two biggest emerging economies in the world are

beginning to engage in deeper Asia-Pacific regional cooperation to safeguard their due positions in regional and global economic governance.

Compared to the TPP, which mandates "rigorous and extremely high standards" and is plagued with uncertainty, the RCEP seems more feasible. The early completion of the RCEP will provide a new path and platform for China to integrate with South Asia and for India to better integrate with the Asia-Pacific region.

## BOOSTING ASIA-PACIFIC ECONOMIC COOPERATION

The RCEP is a trade initiative proposed by the Association of Southeast Asian Nations (ASEAN) that involves the group's ten member states and six Free Trade Agreement (FTA) partners: Australia, China, India, Japan, Republic of Korea, and New Zealand. RCEP negotiations, launched in 2012, have gone through 16

rounds and are now in the final stage. The 16 participating countries have reached consensus on issues such as tariff reduction, exemptions for tangible goods, rules of origin, technical barriers to trade, sanitary and phytosanitary measures, customs procedures, and trade facilitation. All that remains is discussion of services trade and investment, leaving RCEP negotiations in a substantive bargaining stage. Even though many involved parties are still quarreling over issues like tariff reduction on sensitive products and market entry of sensitive sectors, the final completion of the RCEP is a matter of "when", not "if".

Upon implementation, the RCEP will serve as a free trade agreement with ASEAN at its core. The combined population of the 16 member countries is more than 3.5 billion, about 48 percent of the world population, and the combined GDP is US\$22.7

trillion, about 30 percent of global GDP. The combined trade volume of these countries is US\$9.58 trillion, about 29 percent of the world total.

Unlike the TPP, which emphasizes unified standards and rules, the RCEP is based on the effective international division of labor and the well-developed regional manufacturing network in the Asia-Pacific region. The economic returns and social benefits of the RCEP are mostly found in the reduction of non-tariff barriers and increased output. Affected industries and sectors will gain advantages from trade and investment liberation via the free trade initiative.

A report released by the Asian Development Bank predicts that by 2025, the RCEP will create income gains of US\$644 billion and accelerate China and India's GDP by 1.45 percent and 1.74 percent, respectively. With the TPP mired in uncertainty and the WTO multilateral

trade process at a standstill, the RCEP, when implemented, will change the fundamental landscape of Asia-Pacific cooperation and prompt the upgrade of the region's manufacturing network, an improved trade and investment environment and the construction of a unified regional market.

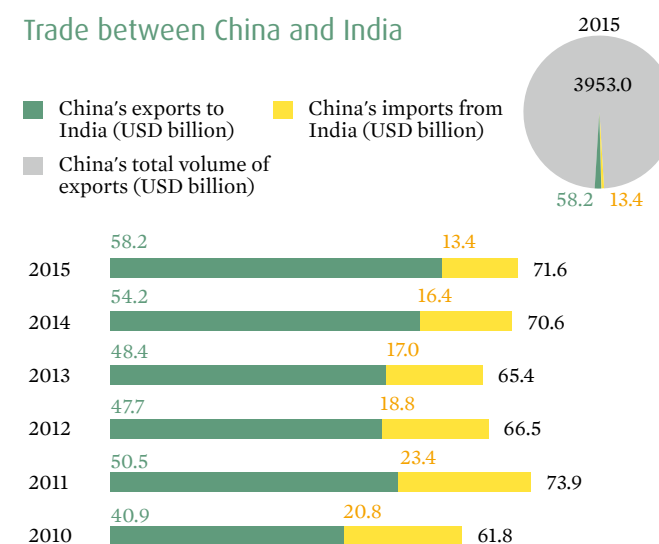
## CHINA-INDIA COOPERATION UNDER RCEP

As the world's two largest emerging economies, China and India together account for 17.9 percent of global GDP and 13.2 percent of world trade as well as 58.9 percent of the total GDP of RCEP members and 47.4 percent of the group's combined trade volume.

Both ancient civilizations are members of BRICS and the Shanghai Cooperation Organization (SCO) and the two countries share similar natural and cultural resources, but each has its own unique advantages. Trade facilitation and investment liberation within the framework of the RCEP will bring new opportunities and consolidate the foundation of the continued development of China-India economic and trade relations, sustained growth of their bilateral trade and investment, and the expansion of their value chains and supply chains. This relationship will set an example for bilateral cooperation, using existing comparative advantages to create new ones.

Services and investment have recently been the focus in international trade

Trade between China and India



Source: National Bureau of Statistics of the People's Republic of China

negotiations. Both are expected to become important growth points for China-India economic cooperation, which will not only facilitate the formation of new manufacturing chains at the bilateral level as well as between other RCEP members, but also ensure continuous growth of bilateral trade and investment.

Statistics from the United Nations Conference on Trade and Investment show that by the end of 2015, China and India received foreign direct investment (FDI) of US\$1.2 trillion and US\$282.27 billion, respectively, and the combined FDI they received accounted for six percent of the global total and 36.2 percent of the total FDI flowing into RCEP members. China and India's outward foreign direct investment (OFDI) reached US\$1.1 trillion and US\$138.97 billion, respectively, and their combined OFDI made up 4.6 percent of the world total and 28.9 percent of the RCEP total. In 2015, China and India's trade in services reached US\$755.44 billion

— April 22, 2014, Ghazipur: A huge outdoor market where citizens have long been selling flowers from all over India and around the world, some of which are from China. [IC]



and US\$278.95 billion, respectively, and their combined volume in this regard accounted for 10.8 percent of the global total and 44.4 percent of the RCEP total. All this indicates that the two countries occupy vital positions in regional and global investment and trade in services.

Even though both countries have witnessed rapid growth in their shares in the global service trade and investment, the service trade and investment between China and India remain comparatively insufficient. According to China's Ministry of Commerce, by 2015, China's direct investment in India had amounted to US\$3.77 billion, accounting for only 0.34 percent of the country's total investment abroad and 1.34 percent of total FDI received by India. The International Monetary Fund (IMF) estimated that by the end of 2014, India's total investment in China was only US\$313 million, accounting for 0.34 percent of its total investment abroad and 0.03 percent of total FDI received by China. There is tremendous space for the two countries to increase mutual service trade and investment.

#### PROMOTING REGIONAL AND CHINA-INDIA COOPERATION

After more than three decades of reform and opening up, China has become one of the most vigorous economies in the world. Its GDP rocketed up from US\$302.94 billion in 1980 to US\$11.2 trillion in 2015, an average annual

increase of 10.9 percent on average. Over the same period, its proportion of the global GDP grew from 2.5 percent to 14.9 percent.

Meanwhile, India's GDP grew from US\$181.12 billion in 1980 to US\$2.2 trillion in 2015 at an average growth rate of 7.4 percent, while its proportion of global GDP rose from 1.5 percent to 3 percent.

IMF statistics show that in 2015, China and India contributed 36.7 percent and 16.5 percent, respectively, to world economic growth. Meanwhile, the contribution rates of the United States and Japan were 12.3 percent and 0.7 percent, respectively. As the world's two largest emerging economies, China and India are expected to maintain long-term growth at a medium or high speed and become important engines for global economic development, along with other emerging economies.

The rapid economic growth of China and India is changing the global economic and trade structure, as well as providing new opportunities for the two countries to expand mutually beneficial, win-win cooperation. China and India complement each other in fields such as service trade, investment, high-end manufacturing and infrastructure, and see tremendous potential for cooperation in softening trade imbalances, combating trade protectionism and building a more rational and mutually complementary trade structure. The countries also share common interests in terms of regional and global

cooperation and traditional and non-traditional security.

Considering their enormous economic sizes and important positions in the global value chain and industrial chain, China and India should give full play to their respective geographic and economic advantages to enact the RCEP as soon as possible. In turn, the RCEP will provide institutional backing for their bilateral trade and investment cooperation as well as with other RCEP members.

The function of the RCEP in creating trade, promoting investment, fine-tuning industry and facilitating the resulting spillover effect will further improve and reconstruct the manufacturing network, expand the value chain and optimize allocation of trade and production factors in the Asia-Pacific region. This will create new opportunities for every country in the region, especially developing ones, to enhance their growth quality.

Regional economic integration of the European Union and North America under NAFTA has proven that the freer flow of goods and resources helps balance development between various countries. Likewise, shrinking economic gaps between China and India as well as other RCEP members in favor of more balanced regional development, improved living standards and sustainable economic growth meet both Chinese and Indian demands for common development and regional economic integration.

#### RCEP IN LINE WITH FTAAP

Due to the continuous expansion of the Asia-Pacific manufacturing network and value chain, countries in the region are already closely related in terms of trade and investment. The completion of the TPP and the deepening of RCEP negotiations are paving new paths to build a Free Trade Area in the Asia-Pacific (FTAAP). However, it remains uncertain whether the TPP will emerge as the preferred path for Asia-Pacific economic integration, whether the RCEP will form a unified regional market, or whether such agreements will evolve into an East Asian Community positioned to achieve the ultimate goal of establishing the FTAAP. On the road to the FTAAP, countries in the Asia-Pacific region must solve dilemmas such as whether to expand the TPP to serve every member of the Asia-Pacific Economic Cooperation (APEC) or integrate the TPP and the RCEP, how to weigh the "standards" of the TPP and the "feasibility" of the RCEP, and whether they should respond to developed countries' appeals for higher standards and stricter rules or the humbler interests of developing countries.

In November 2016, the APEC Economic Leaders' Meeting in Lima endorsed the *Report on the APEC FTAAP Collective Strategic Study* and passed the *Lima Declaration on FTAAP*. The Declaration reaffirmed APEC members' commitment to advance the process in a comprehensive and systematic manner

towards the eventual goal of building the FTAAP as a major instrument to further APEC's regional economic integration agenda, and acknowledged that regional undertakings, including the TPP and the RCEP, will contribute to the eventual realization of the FTAAP.

If the FTAAP is established on the foundation of the TPP or the RCEP, it would be a free trade zone covering 40 percent of the world population and 55.9 percent of global GDP (US\$43.6 trillion). Moreover, it would increase APEC members' GDP growth by 3.5 percent, export volume by 9.6 percent and imports by 9.5 percent.

Unlike the exclusive, isolated TPP, the FTAAP will cover all APEC members and be more open and inclusive. Just like the RCEP, the real value of the FTAAP lies in reconstructing and improving the Asia-Pacific regional manufacturing network. Building a unified regional market is the ultimate goal of the FTAAP. If the FTAAP can expand and strengthen the Asia-Pacific regional manufacturing network based on the TPP and the RCEP as well as furthering Asia-Pacific countries' integration into regional and global supply chain, it will become a new driving force for the internal growth of the Asia-Pacific economy. ■

— The author is an associate researcher at the National Institute of International Strategy under the Chinese Academy of Social Sciences.



July 27, 2015: Mufi, a young Indian student, studies medicine in Zhengzhou University. This is his fourth year in China. [CFP]

# Indian Students in China: The Case of Medical Education

By Madhurima Nundy

AFFORDABILITY AND A RELATIVELY HIGHER QUALITY OF INFRASTRUCTURE HAVE MADE CHINA ONE OF THE TOP CHOICES FOR INDIAN STUDENTS PLANNING TO STUDY MEDICINE ABROAD.

## CHINA AS AN IMPORTANT DESTINATION FOR HIGHER EDUCATION

Since the beginning of the century, higher education in China has expanded, making the country an increasingly popular destination for students from around the world. Experts estimate that the number of inbound students to China will increase to 500,000 by 2020. Presently, almost 70 percent of international students in China hail from Asia. China is an attractive destination for students for many reasons. In the last decade, the country has invested heavily in major universities to elevate them to world-class institutions. At least three Chinese universities rank among the top 100 in the World University Rankings.

The Chinese government has introduced several measures to attract foreign students. In recent years, the government has offered scholarships for students in certain fields. Several universities now feature “split campus” programs wherein they partner with a foreign university, mostly in North America. A participating student completes part of the program in the Chinese university and the rest at the partner university in the West. At joint venture universities, students can get an international degree by studying just in China. Faculty from partnering universities in North America visit their Chinese counterparts to teach for a time. Many students from the West like to study in China because the cost of living and

tuition are relatively lower than most developed countries and the quality of education is similar in many ways.

## INDIAN STUDENTS IN CHINA

In 2014, over 300,000 Indian students travelled abroad for higher education. While the United States, Canada, Australia and the United Kingdom are still major destinations for Indian students, China is gradually becoming an important destination due to the availability of several Chinese government-sponsored scholarships in the humanities, social sciences, business management, medicine and engineering.

According to Project Atlas, managed by the Institute for International Education, the total number of Indian students in China in 2015 was reported at 16,694 as compared to 765 just a decade ago. Interestingly, 80 percent of them are pursuing undergraduate medical school, followed by Chinese

language and literature. Comparatively, the number of Chinese students in India has remained low at about 2,000.

## INDIAN STUDENTS STUDYING MEDICINE IN CHINA

For Indian students, the most preferred destination to study medicine abroad is China, followed by Russia, Nepal, Ukraine, Kazakhstan, Kyrgyzstan and the Philippines. Over 13,000 Indian students are currently studying medicine in these countries.

China opened its doors to foreign students seeking education in medicine in 2004. Streamlining regulations took a number of years. The Medical Council of India (MCI) presently lists 45 Chinese Medical Institutions, all public, which offer 3,470 seats to international students. This list has been issued and approved by the Ministry of Education of the PRC to include only institutions that offer medical education in the English language. The six-year

March 4, 2011: Two Indian students from the medical examination center of the Affiliated Hospital of Nantong University give disabled senior people an examination. They are phlebotomizing the patient for examination before treatment. [CFP]



## Number of Indian Students in China:

Year	Number of Students	Rank
2005	3245	8
2007	7190	7
2008	8145	7
2009	8468	7
2010	9014	8
2011	9370	8
2012	10178	8
2013	11781	8
2014	13578	7
2015	16694	4

Source: China Scholarship Council (CSC)

program includes a year-long internship, and compulsory Mandarin classes are a prerequisite for the internship in the final year. The Indian Embassy in Beijing provides detailed guidelines for students hoping to study medicine in China. Recruitment of Indian students is facilitated through 'agents' in India. Some shady agents have emerged, but guidelines issued by the Indian Embassy clearly warn students about them. Some students were recruited by agents and sent to sub-standard private universities that fail to meet the standards of the Ministry of Education in China.

Analysis of the 45 medical universities in China approved by the MCI shows that they are mostly

concentrated in the eastern provinces, with Jiangsu having the most approved universities at 7, followed by Guangdong with 5, Hubei with 4 and Liaoning, Sichuan and Zhejiang with 3 each. Xinjiang Uygur Autonomous Region, China's westernmost, has 2.

Several factors push students away from India, and others pull them to China. In India, the demand for seats in medical colleges exceeds supply significantly. Admission to public medical colleges is determined by a highly competitive examination, but medical education is becoming more commercialized. Almost 50 percent of medical colleges in India are private. These schools charge more than many students can afford, so they seek more affordable opportunities abroad.

And the paramount factor pulling Indian students to Chinese medical colleges is affordability. Compared to comparable countries, Chinese education is the cheapest when fees, accommodation, living costs and other expenses are considered. In 2014, an Indian undergraduate student in China spent an average of 2.5 million rupees to graduate. Unlike private Indian colleges, students were pleasantly surprised by the lack of hidden costs in the form of donations in China. All colleges teach in English but students must also study the Chinese language to survive interaction with Chinese patients during the internship year.

Along with affordability,

students have also remarked that Chinese medical colleges have better equipment, laboratory facilities and technology compared to those in India. They claim that the training they received in China was high-quality and often better than private and public medical colleges at home. In some cases they noted that they received less practical knowledge and clinical exposure due to the language barrier. Many have been able to overcome such difficulties and use the language effectively. Some students have even started returning for post-graduate studies because those seats in India are also very limited.

The students acknowledged that they never imagined studying in China and had to learn more than technical skills upon arriving in a completely new culture and environment. Women students found it a very safe country. The Indian embassy encourages students to interact more with people from different countries and to absorb as much as they can about China.

Upon returning, most Indian graduates of overseas studies, except for those who went to the U.S., the U.K., Australia, New Zealand, or Canada, have to take the Foreign Medical Graduate Exams (FMGE) organized by the National Board of Examinations (NBE) before they can legally practice in India. This examination is fairly difficult and many graduates complain that students graduating from Indian medical colleges do



September 15, 2005: 180 Indian high school students get enrolled in the medical college of Wuhan University with excellent grades. This was the first time that Wuhan University enrolled international undergraduates. [CFP]

## Top 10 destinations and number of Indian students studying abroad in 2014:

Destination	Number of Students
United States	97,613
Australia	25,562
United Kingdom	19,604
Canada	13,626
New Zealand	10,255
United Arab Emirates	9,273
Germany	5,645
Ukraine	3,587
Russian Federation	2,630
France	1,985

Source: UNESCO Institute for Statistics

not have to pass such an exam. Such issues must be resolved by the various stakeholders within India.

The problem with recognizing foreign medical graduates returning to India has not deterred Indian students from going to China

to study medicine. The volume has steadily increased over the years and appears poised to continue on that trajectory in the future. Obviously, many students have returned with a wealth of positive experiences. Young Indians are opening

their minds to their Asian neighbors, especially China, and see numerous opportunities for higher education just next door. While English-speaking nations are still the preferred destination for most Indians, China is an emerging contender and one of the top non-English speaking countries where Indians can receive quality higher education.

During a visit to China by the President of India in May 2016, several memoranda of understanding were signed to facilitate student and faculty exchanges as well as collaboration in research and innovation. Educators in both countries hope that such exchanges and academic cooperation in higher education will be a priority in bilateral talks and that more students from both India and China will choose to study in each other's universities. ■

The author is an associate fellow at the Institute of Chinese Studies (ICS) in Delhi.



# Clean Energy Access

## Key to India's Sustainable Development

By Anisha Laming & Jarnail Singh

**WITH ACCESS TO CLEAN ENERGY EMERGING AS A CRITICAL ECONOMIC AND ENVIRONMENTAL ISSUE IN INDIA, THE RENEWABLE ENERGY INDUSTRY IS EXPECTED TO SEE A QUANTUM LEAP.**

Considering India's Intended Nationally Determined Contribution (INDC) agreed during the UNFCCC's COP 21 in Paris, ensuring that the energy and lifestyle aspirations of the Indian people are met through clean and sustainable forms of energy has become an even more crucial goal. The last two years have brought remarkable developments in the realm of fighting climate change via the COP21 and 22 outcomes. They were particularly special because of the launch of a dedicated Sustainable Development Goal (SDG 7) on Clean and Affordable Energy. According to the INDC, India intends to reduce emission intensity per unit of GDP by 33 percent to 35 percent by 2030 compared to 2005 levels and aims to

achieve about 40 percent cumulative electric power installed capacity from non-fossil fuel based energy resources in the same time frame. Furthermore, the launch of the International Solar Alliance (ISA), led by the Indian government and the Carbon Pricing Leadership Coalition, is a major step in the right direction.

### CLEAN ENERGY TRANSITION

India's clean energy sector is clearly in a transitional period — a state of aspiration and apprehension, elation and depression — a frenzied roller-coaster ride for planners, practitioners and

policymakers alike. While we continue to debate the pros and cons of renewable energy, there is no doubt that the industry in India will see quantum leaps in the near future, simply because it makes enormous business sense to invest in an industry that has already started delivering much higher returns than the fossil fuel industry. The visibly vibrant future for renewable energy in India is already creating opportunities to upgrade infrastructure and institutional structures to ensure that this transition is long term and sustainable.

India is the world's fifth largest electricity provider,

yet still has more than 300 million people lacking access to modern energy services. Access to clean energy has become a critical economic, environmental and socio-political issue. Hence, there is an urgent need for a paradigm shift towards decentralized renewable energy (DRE) solutions that are complementary to the grid rather than in competition with it. A shift in attitudes to energy access is happening in India, through a change in focus in terms of information delivery to policymakers, increased support for DRE practitioners, and more inspired stakeholders at both central and regional levels.

The Indian government has placed unprecedented focus on making the private sector the torchbearers of sustainable energy, a heartening move. The massive corporate commitment by major Indian companies and financial institutions during RE (Renewable Energy) Invest 2015 testifies to this. Consequently, India has set an ambitious target of producing 175 gigawatts of renewable energy. Additionally, the country has seen a spike in corporate investment in project development and the creation of renewable energy infrastructure. Large-scale renewable energy has attracted the spotlight in the last few years, but the DRE sector has also been getting its act together. India witnessed the creation of its



A wind power station in Maharashtra, India. [CFP]



## CASE STUDY

first ever coalition of energy access practitioners, which is now known as the Clean Energy Access Network (CLEAN). It has proved a forward-thinking step to merge an otherwise fragmented sector under one umbrella.

### DRIVERS OF GROWTH

An economy slated to grow at a rate of 8 percent to 9 percent over the next two decades demands a significant increase in power generation capacity. The pursuit of energy access, energy security and climate change mitigation are therefore key demand drivers for adopting renewable energy.

Three supply drivers promote clean energy adoption in India, namely: policy, finance and job creation. Over the past few decades, several policies and programs have sought to spur renewable energy sources such as wind, solar (including non-electric uses of solar and wind) and biogas. India was the first country to organize a dedicated ministry for renewable energy (Ministry of New and Renewable Energy); it funds a National Solar Mission, and it is

developing a National Wind Energy Mission. Decentralized energy production has also received a big push in the last decade.

The DRE access sector is a promising development for India. By 2020, small and medium enterprises in the energy access sector alone are likely to attract a market share worth US\$400 million. Increasing consumer appetite, coupled with the emergence of a favorable investment environment in India, has created unprecedented opportunities for market development and upgrades, offering a viable, sustainable energy solution for one of the fastest-growing economies in the world.

However, the DRE sector warrants a paradigm shift in financing: the launch of financial products that combine both capital infrastructure finance and consumer finance. Via planned financial support, policymakers estimate that 7.2 million under-served households will be able to afford a solar system by 2018. Debt financing has been identified as the most pressing need in the DRE sector.

### PATH FORWARD

An unprecedented, innovative approach to financing can open the market, and in turn the DRE sector will open newer avenues. There are immense opportunities for financing decentralized renewable energy in India, and existing financial products can be tweaked to create new versions more suitable to market demand. You can't expect the market to change its ways to facilitate financing designed for bigger infrastructure projects.

By merging these ecosystem elements together, India has created opportunities to demonstrate its unique and extraordinary capacity to drive a new wave of equitable growth and economic opportunity. We must look at the speed, scale and skill of the energy access sector in India, because only bigger climate and energy efficiency goals lie ahead.

—  
*Jarnail Singh is the interim India Director of The Climate Group. With a multitude of development experience including strategic roles in promotion of renewable energy, energy access, biodiversity conservation, corporate leadership platforms and organizational development, he leads the group's India portfolio of programs and initiatives.*

*Anisha Laming is India Communications Manager of The Climate Group. As a journalism post graduate, she has developed and executed key communications strategies for different projects on sustainability specifically on renewable and clean energy.*

**C** THE CLIMATE GROUP



According to the Indian government, there will be 10 solar energy areas across the nation by 2021, each covering an area of over 10,000 hectares. (Picture courtesy of The Climate Group)



# Delhi's Smog Crisis

By Sanhita Sapatnekar

Last month, residents of India's capital were breathing the city's worst air in 17 years. In the wake of this pollution, intense debate emerged on the primary source of the smog. Delhi was blamed for not effectively managing and controlling pollution resulting from fireworks set off during Diwali festivities, and Delhi blamed surrounding states for not enforcing the ban on post-harvest stubble burning, claiming that added far more to the smog. Whatever the source, levels of fine particulate matter (PM2.5, a common measure of air pollution) reached 40 times the WHO's guidelines of 25  $\mu\text{g}/\text{m}^3$ , posing a huge health risk to all residents. Schools closed, and people were advised to stay indoors; the air was so dirty, you could

taste it. This incident drew attention to Delhi's air quality, and the fact that comparable capital cities have been seeing improved air quality while Delhi's is only worsening.

One such capital, notorious for poor air quality for years, is Beijing, where a generally improving trend has been seen over the past few years (though pollution levels were mixed in 2016). According to Greenpeace estimates, in 2013, 2014 and 2015, Beijing PM2.5 concentrations averaged 90.1 $\mu\text{g}/\text{m}^3$ , 83.2 $\mu\text{g}/\text{m}^3$ , and 80.4 $\mu\text{g}/\text{m}^3$ , respectively. Though measurement systems are weaker in Delhi, estimates for the same years stand at 138 $\mu\text{g}/\text{m}^3$ , 145 $\mu\text{g}/\text{m}^3$  and 125 $\mu\text{g}/\text{m}^3$ . Studies have also shown that levels of harmful fine particulate matter are significantly higher in Delhi during the winter months,

and compared to Beijing, average concentrations were about 45 percent higher in Delhi between 2013 and 2015.

Last November's unexpected incident followed multiple unfortunately timed events and highlighted two key issues hindering improvements in Delhi's air quality. First, existing policies to address sources of pollution within the city are simply ineffective, and more comprehensive solutions are needed. For example, in order to curb pollution from motor vehicles, the Delhi government conducted two phases of what is referred to as the "Odd-Even Rule",

which only allows vehicles with odd or even numbered plates to run on certain days, effectively eliminating half of the private traffic.

The rule did not address the fact that 64.3 percent of freight in India is transported by road, and many vehicles carrying freight to the North of the country pass through Delhi at hours outside of the rule. Furthermore, restricting vehicles temporarily does not address the long-term problem—a deeper look at the city's infrastructure is needed. Improved public transport would create incentives for residents to opt out of driving voluntarily. Also, creating an

express bypass to allow trucks to move more quickly through the city would reduce the time they spend polluting while stuck in traffic.

China, on the other hand, has already taken significant steps to develop more appropriate and sustainable policies, especially the recent "Plan on Air Pollution Prevention and Control in Key Regions". The Plan proposes carefully designed policies to optimally handle sources of pollution regardless of their origins. For example, both Delhi and Beijing are hit by pollution from neighboring regions due to crop stubble burning. India



November 6, 2016: An Indian girl holds a banner during a protest against air pollution in New Delhi, India. [IC]

November 6, 2016: Citizens jog on a smoggy morning in New Delhi. The Indian capital suffered the severest smog in 17 years, which was further intensified by millions of fireworks set off during Diwali. The smog forced 1,800 primary schools to close temporarily. [IC]



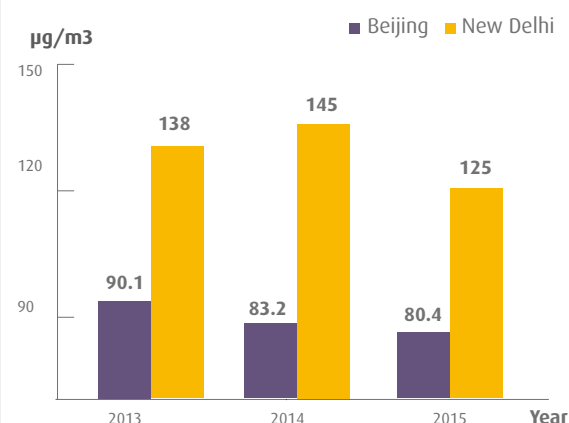
### What Caused the Smog In New Delhi?



	Beijing	New Delhi
Area	16,410 sq km	1,484 sq km
Population	21.7 million	25 million

### Fine Particulate Matter Concentrations

(As per Greenpeace estimates)



has already banned crop stubble burning in states surrounding Delhi, but because no effective alternatives for disposal have been provided to farmers, they continue to burn despite the ban. Beijing, however, has a more comprehensive approach: in addition to banning the activity, China has explored incentives to motivate farmers to do different things with crop stubble and is providing subsidies for agricultural equipment to facilitate more efficient removal than burning. Many of Delhi's smog sources are similar to those of Beijing, so India would benefit from understanding the steps China has taken to fight pollution.

The second issue for India that emerged in November is that strategic planning and coordination between Indian states to manage the sources of pollution failed. Given the cross-boundary nature of air pollution, one might intuitively assume that an integrated regional approach would be needed to tackle the problem. However, India now has 29 state pollution control boards and 6 board-like committees for Union Territories, each individually addressing air pollution within small geographical boundaries. These entities are governed by three overlapping national laws, namely the Water (Prevention and Control of Pollution) Act of 1974, the Air (Prevention and Control of Pollution) Act of 1981, and the Environment (Protection) Act of 1986. As a

result, the mandate of each board is blurry and unclear, and standardized governance of air pollution matters across Indian states is a glaring void.

In addition to these Indian state-level boards, the Central Pollution Control Board (CPCB, a statutory organization formed in 1974) serves as a national body on the topic. The CPCB sets national standards and holds the power to plan and execute a nationwide program to prevent, control and abate air pollution. However, the only current nationwide program addressing air pollution in India is the National Air Quality Monitoring Programme (NAMP) which only measures ambient air quality at a few locations where monitoring stations are set up. When the prescribed national standards are violated, the CPCB requires the offending state to develop its own plans to tackle the problem, which are implemented only within the jurisdiction of that Indian state. No accountability measures are imposed on the plans, and no regional coordination is required. While the law allows for a nationwide program to be developed, no such program exists yet in India.

China, however, has already overcome this hurdle. The unique "Plan on Air Pollution Prevention and Control in Key Regions" marked the first attempt of China's central government to develop a comprehensive strategy for air pollution prevention and control, covering three key regions and ten city clusters. One such key region is



An Indian farmer burns paddy husks after a harvest in the northern Indian city of Chandigarh. [REUTERS]

Beijing-Tianjin-Hebei, wherein reducing pollution in the capital is addressed by monitoring the city as well as regions surrounding it. Delhi, in particular, would greatly benefit from this approach because it borders three Indian states: Haryana, Rajasthan and Uttar Pradesh. Although Punjab doesn't border the city directly, it is also nearby.

India should learn from China's experience and appreciate the importance of developing a comprehensive nationwide plan that strategically identifies key regions and applies appropriate measures to tackle pollution at the source. Not only is pollution a cross-boundary issue, but sources of pollution are not all stationary nor contained within the jurisdictions from which they originate. Like Beijing, Delhi needs to factor in such myriad issues when developing policies to address air pollution. ■

The author is a consultant at the National Institute of Public Finance and Policy (NIPFP), an autonomous research institute under India's Ministry of Finance. Prior to this, she worked on public policy issues with the UN in Indonesia, and the GIZ in Cambodia.



# Beijing vs. Smog

By Chang Jiwen

HUMAN DEVELOPMENT BEYOND ENVIRONMENTAL CAPACITY HAS BEEN ONE TRIGGER OF SMOG IN BEIJING IN RECENT YEARS.

In recent years, heavy smog in the vast Beijing-Tianjin-Hebei region, and Beijing in particular, has aroused wide concern from both China and the world. The pollution harms public health, intimidates foreign investment and talent and upsets the capital market. Most importantly, frequent smog presents unprecedented challenges to the sustainability of China's conventional development mode.

## WHERE DOES THE SMOG COME FROM?

Smog in the Beijing-Tianjin-Hebei region is composed of particles, nitrogen oxide and sulfur oxide emitted by industry, motor vehicles, agricultural work and construction. Beijing's smog, exacerbated by emissions from Tianjin and

Hebei Province, is rooted in its own development.

Surrounded by mountains on three sides, Beijing is most vulnerable to smog on windless days in autumn and winter. As part of the Coordinated Development for the Beijing-Tianjin-Hebei region, producers and processors of steel and furniture were pushed out of Beijing, which was designated a clean-industry city. According to monitoring and analysis by Tsinghua University, concentration of PM2.5 and PM10 this year was lower than in years past, an improvement that has been credited to strict enforcement of environmental protection standards by inspectors from the central government, regulations related to the annual average concentration in the Beijing-Tianjin-Hebei

region outlined in the *Air Pollution Prevention and Control Action Plan* and increasingly stringent control of emissions from industry and vehicles in the region.

However, casual observers have been singing a different tune. Before 2015, the heavy smog in Beijing would envelope the city after two days of incubation. In 2016, however, heavy smog swept the city the day incubation began. With lower concentration, air pollutants now form more quickly, demonstrating that Beijing's urban disease has deteriorated in some ways rather than being alleviated.

An ecological city respects nature and doesn't change the local landforms and ecology. The location should be green and only dotted with buildings and roads. In

contrast, Beijing's basin floor, with mountains in three directions, is carpeted with buildings and roads and only dotted by a relative handful of plants. A dense population living in tall buildings, shuttling to numerous companies in other tall buildings, generates tremendous emissions and frequent traffic jams, which in turn increases automobile emissions. Beijing is a city with a dense population but scarce water, so underground water has been over-pumped, decimating the ecology of the region.

In conclusion, Beijing's smog in recent years has mainly been caused by development beyond its environment at capacity. Its development went against the restrictions on landform,

natural resources, and environment at protection.

## UPGRADE CITY MANAGEMENT

To solve Beijing's smog problem, the top priority should be upgrading city management, which will immediately ease Beijing's urban ills. The structure of the city must be optimized. The city's space should be aligned with basic geographic, atmospheric and ecological conditions to foster scientific and sustainable usage of production, living and ecological space. Beijing can also build ecological villages and specialized small towns. Such projects not only improve backward sectors and create new growth drivers for development, but also clean the air and create an ecological defense line.

The city should also strive to develop centralized processing of sewage and waste while spreading out industrial emissions.

Second, a system limiting the area available for city development should be implemented to prevent the urban areas of cities, districts and counties from swelling beyond the capacity of the ecological environment. At the same time, strict enforcement of environmental violations would create a sound environment for the development of the new growth drivers.

Third, Beijing can learn from London's experience of controlling smog and the development of coastal areas of southeast China. The capital can launch reforms of

December 12, 2016: Unfavorable weather conditions help the emergence of the worst, most widespread and longest-lasting smog of the year in China. [CFP]



its energy consumption structure and curtail the overall consumption of natural resources, putting pressure on major comprehensive reform to conserve more resources and become environmentally friendly. In 2016, Beijing's municipal government ordered towns and villages in the plains areas to replace coal with electricity and

## Emission licensing and a total emission quantity control system would more efficiently curb emission from industries.

natural gas. As a result, 463 villages have abandoned the use of coal. By 2020, new added water consumption should be limited to 3.1 billion cubic meters.

Moreover, the upgrading of traffic infrastructure should continue. Elimination of traffic jams cuts emissions from the roads. During rush hours, Beijing's public transportation resources are exhausted, and no more space can be created on the ground. We can learn from New York. The American city built express subway lines alongside existing routes to solve its traffic problems. Express trains only stop at important stations, easing traffic jams and curbing emissions on the ground.

Meanwhile, to further eliminate emissions from automobiles, economic adjustment can motivate people to choose more ecologically-friendly transportation. Measures to stagger the times people arrive at work and change their routes should also be taken.

Lastly, emissions from enterprises should be controlled in a scientific manner. This winter, Shijiazhuang, capital of Hebei Province, implemented the strictest ever smog-control order, according to which some enterprises had to stop production by the end of 2016 regardless of whether their emissions met the criteria. This was a controversial move that upset the capital market. In fact, the city could control the flow of emissions of enterprises by introducing emission licensing and a quantity control system. The yearly and quarterly permitted quantity of emissions would be specified in the license so enterprises can plan production independently.

### REGIONAL COOPERATION: COMMON BUT DIFFERENT RESPONSIBILITIES

The ecology is a large system, as is the atmosphere. Beijing, Tianjin, and Hebei Province share an atmosphere. Under complicated weather conditions, air pollutants move throughout the region. Any one city in the region, Beijing in particular, cannot clean up smog on its own. Beijing's smog should be addressed via coordinated efforts across

the whole region.

Common but different responsibility is a basic principle of international approaches to climate change, which also serve as references for the joint prevention and treatment of smog in this region. Coordinated inter-regional prevention and control efforts call for common but different responsibilities in terms of preventing and controlling air pollution emanating from a variety of areas and sectors.

Regionally different

responsibilities are organized according to different levels of development, different industries and different sectors. For instance, emissions from mining and manufacturing far exceed those of agriculture, and emissions from transportation related to tertiary industry result in much greater harm to the environment than those of agriculture. Therefore, industry, agriculture and tertiary industry should have different responsibilities in terms of

reducing air pollution within common coordinated inter-regional prevention and control efforts.

Enterprises in the same sector have different responsibilities according to the different degrees of damage they do to the environment. High-energy-consuming enterprises such as thermal power plants, foundries and cement factories, which emit a great amount of fine particulate matter, sulfur oxides, and nitric oxides, have big

responsibilities to reduce emission.

From the broader view of regions and industries, local governments of regions with greater emissions should take greater responsibilities, as should departments that oversee industries with greater emissions. In the case of the Beijing-Tianjin-Hebei region, Beijing should take greater responsibilities on transportation emission control, while Hebei should take greater responsibilities to curb industrial emissions.



December 18, 2016: A sprayer eliminates dust at a construction site in the vicinity of China World Tower in Beijing. [CFP]



### CONTROLLING SMOG PATIENTLY

Smog is not a problem unique to China. Every country that has developed rapidly has experienced it. Parts of Britain and the U.S. endured smog for over ten years during the height of the countries' economic transformations. In recent years, smog has also gripped

countries with high-speed growth such as India and Vietnam. In November of last year, India's New Delhi suffered the heaviest smog of the decade.

In general, concerned departments should keep in mind that in the near future, overall pollution will remain high, and characteristics of multiple types of pollutants


will become even more obvious. Environmental conditions may become even more complicated. Over the next ten years, China's emissions will reach a turning point, but they will peak before decreasing. Analysts predict that the turning point will take place sometime between 2022 and 2025. At present, however,

the annual concentration of PM2.5 in the Beijing-Tianjin-Hebei region has decreased to some extent since control measures have been adopted, but still measures about ten times that of developed countries. In the next five to ten years, China will witness a remarkable collision between environmental protection and economic

development, and environmental quality standards will improve during this period. Moreover, since China's economy faces pressure from an economic slowdown, the combined difficulties will be unprecedented.

Meanwhile, policymakers addressing smog need a sense of urgency as well as

patience. Environmental problems should be solved scientifically, appropriately, and in stages. Measures for the prevention and control of smog should be coordinated with economic and societal development and combined with ecological improvement measures.

As a whole, China is emerging from the pollution trap of its development trajectory. Some modernized areas have already achieved a healthy and sustainable circle of development and environmental protection. However, in many places in central and western China, the model of treating while polluting and restoring after destroying may continue to endure for some time. If the country sticks to both temporary and permanent measures, environmental deterioration could be stopped by 2020. By 2030, the manufacturing powerhouse of China could enjoy the harmony of economic development and environmental protection. Smog control must follow the basic rules of economic development and environmental protection. Inertia as well as ill-advised rushes to action should both be avoided. 



December 19, 2016: Dozens of stone monkeys in Beijing Zoo all wear masks. [CFP]

December 21, 2016: As smog lingers, citizens in Beijing wear masks on a bus. [CFP]



*The author is a deputy director of Research Institute of Resources and Environment Policies of Development Research Center of the State Council and a professor at the Institute of Law of Chinese Academy of Social Sciences. Chang Jiezhong, student in the department of sociology of Purdue University, contributed to this article.*

# Indian Eyes on China


Edited by **Hu Zhoumeng**  
Designed by **Andrey Maleev**

A Chinese proverb says that good neighbors are as valuable as gold. Two friendly neighbors with similarly profound histories, China and India survived thousands of years to simultaneously transform from developing nations into major global players. Neighbors become more intimate as they come to know each other better. What do Indians think about China?

In 2016, the Center for International Communication Studies of China International Publishing Group joined

market surveying companies Millward Brown and Lightspeed GMI to conduct the fourth global survey of China's national image, and publish the *2015 China National Image Global Survey*. Respondents to the survey included 500 Indians ranging in age from 18 to 65, half male and half female.

Indian respondents acknowledge the economic development of China and expect China to play a bigger role in global economic governance. The majority recognizes the importance of Sino-Indian ties and wishes

to improve bilateral relations and cooperation between governments; they believe more cooperation in science, technology and tourism will be most beneficial to India. Respondents consider martial arts the dominant representation of Chinese culture, and most choose "hard-working" as the adjective to describe Chinese people. Of all Chinese cities, respondents were most familiar with Beijing, and of the country's many brands, the most familiar was computer manufacturer Lenovo. 



## What is your overall impression of China/India?



## What phrases describe China in your eyes?



## Which adjective is closer to what you would use to describe Chinese people? (1-5 points)



## How do you view China's ruling Party?



## How do you view your country's relationship with China?



## How beneficial will the following initiatives proposed by the Chinese government be to your country? (1-5 points; 5 - very beneficial)



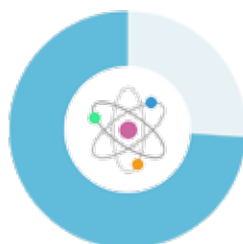


### In your opinion, which of the following descriptions are the nearest to the reality of the Chinese economy?

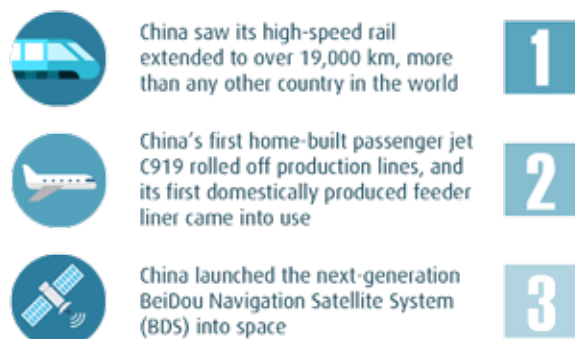


### What's your opinion of China's scientific and technological innovation capacity?

Strong/  
Very strong  
**72%**



### What did you hear about China's scientific achievements in 2015?



### What are the positive and negative effects of Chinese enterprises' presence in your country?

+	They bring new capital and technology	40%
	They increase employment opportunities	40%
	They promote the upgrading of local industrial infrastructure	34%
	They increase local tax revenue	22%
-	They slow down the development of local firms and brands	33%
	They impact the existing balance of the local industrial chain	27%
	They impact the local environment	26%
	They exploit local energy and other resources	19%

### Which of the following factors would stop you from choosing Chinese products?



### In which sectors of global governance do you expect China to play a bigger role? (1-5 points)



### Chinese brands most familiar to Indians



### How interested are you in China's language and culture?

Much/Very much interested

**51%**



### What is the most representative of Chinese culture?



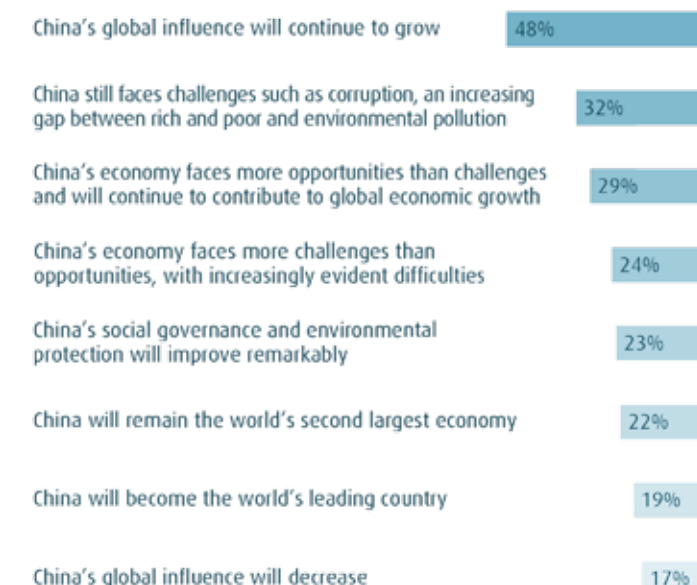
### Please rate the influence of China's economic development (1-5 points)



### Chinese cities most familiar to Indians



### How do you view China's future development?



Source: 2015 China National Image Global Survey

# More Understanding, Less Prejudice

Concept by *China-India Dialogue*

## The Chinese Are Free

**Ankur Arya (middle)**

22, MBBS, Xiamen University



Before coming here, I got to know China from the news, movies and Chinese commodities. I had the impression that many Chinese

people were experts in Kung Fu, Chinese people were short, and Chinese products were of poor quality.

After coming here, I came to know that China is not what we thought. Their products are awesome. Also, it was surprising to find that only very few Chinese people practice martial arts here. That's really heart-breaking for me, because I had dreamt of learning some martial arts.

I'm vegetarian and fond of China's vegetable hot pot. When I go to restaurants with my friends, they always order

vegetarian dishes for me and make sure I can eat the dish. It's really touching.

Many in India think China is not a democratic country, so they believe that the Chinese, who have no freedom, are living miserable lives. However, that is wrong. Since I came here, I have come to know that Chinese people can do whatever they want, and their government is doing good for their people and their country. The country has a good system, and it works. Their development has amazed anyone who visits here.

## India: Another World

**Wang Tianke**

Shanghai International Studies University



My ten-month stay in India was an experience of a totally different world.

Indians have a daily routine different from that of the

Chinese. They eat supper late, so I feel the day is longer. We had class only in the morning, which left afternoons and evenings free.

When I traveled to other nations, I focused more on the natural scenery. But in India, I turned to religious architecture. India has both magnificent and modest temples, where one can see a lot of people queuing in long lines to worship.

Although I am not religious, I am very interested in Indians' religious lives. Young Indian people are willing to spread their culture worldwide.

In some cinema halls, before

the movie began, the audience was required to stand up and sing India's national anthem. This surprised me. They would suddenly stand up and sing the national anthem solemnly.

Affected by the ambience, my friends and I also stood up to listen to them quietly. We felt that Indians love their country very much.

Once, we watched a religious ceremony at night on the banks of the river Ganges. When the lamps were ready to be lit, those seated rose and swarmed to light the lamps. In their faces illuminated by the flames, I saw their piety and respect for their gods.

## Cooperative Chinese

**Maitri Sharma**

29, Basic Chinese Language, Global Village Chinese Institute



Fascinated by Chinese culture, I always wanted to travel in China. When I got to know about the job opportunities and academic environment here, I thought of coming here to study, although I never imagined that China would be such a developed country.

I have been to a few cities such as Tianjin, Guangzhou and Shanghai, but I like Beijing most. The city is a second home to me. I love the people

and food in Beijing. Chinese people are honest, punctual and cooperative. I used to think that it would be really difficult to manage here without speaking Chinese, but Chinese people have helped me a lot throughout my time here. Even if they couldn't speak English, they were there to help me in any way they could.

Once I saw an old man selling pretty jewelry on a street, and I liked two pairs of earrings. Since there was no proper light, I asked him if it were possible to exchange them the next day if I didn't like them. He told me that he wouldn't be coming tomorrow because the weather app on his cell phone said that it would rain. I was so happy to see his honesty, and, moreover, it was quite surprising to see how tech-savvy the old man was.

In China, I've seen myself

growing at every stage, be it academically or personally. I've learned a lot from my Chinese friends; for instance, humble nature, politeness and positivity. Young people in China and India have a lot in common. In India, it is important to score well academically to secure a job, which is somewhat similar to the Chinese Gaokao (college entrance exam) where students need to get good scores to make it into a good university. The youngsters in the two countries like to hang out with their pals, and are very loyal to their friends and family. As far as differences are concerned, I feel Chinese youngsters face a little bit more interference from their parents in making career choices, whereas they have more liberty in choosing their life partners. In India, the situation is totally the opposite.

## Long Live the Friendship

**Chen Caiying (left)**

Guangdong University of Foreign Studies



I traveled to many Indian cities because of my strong interest in the country. I had wanted to visit even more places but was advised against it because there were a lot of negative reports about India.

When I visited Cochin, the family hotel I had booked was in a remote place and hard to find. I asked one passerby, who offered to take me there. When we kept walking through isolated places, I felt scared, but finally, he helped me find the hotel.

The media often claims that Indian women have a low social status. But I saw many privileges extended to women, such as men giving their seats to women on buses, and special compartments for women in trains.

My experiences during these travels brought home to me that China and India lack understanding. Their knowledge

of each other is still where it was one or even two decades ago.

The Indian teacher in my university, before he came to China, thought China was poor. He asked me whether Chinese women still wrap their feet.

Not long ago, I read an essay by Ji Xianlin (a renowned Chinese linguistics scholar), in which he told the story of his two visits to India. Ji found Indian people were very nice and friendly.

Before we left Nagpur, an old man came to chat with us. He mentioned Mao Zedong, Zhou Enlai and Dwarkanath Kotnis, which reminded me of the friendship between China and India described by Ji.



## China Brings Opportunities

### Karishma Mahadeo Choudhary

27, MBA, China Europe International Business School



Before coming to China, I always thought of it as a manufacturing hub and a place full of hardworking and

dedicated people. I chose to study here because the Chinese market is huge and people here don't shy away from experimenting. Hence, I opted to study in China to see and learn all these things.

The city I like best is also the city that I currently live in – Shanghai. Shanghai is a city which has a blend of Chinese and international flavor. Being the financial capital of China, this place has immense opportunities for youngsters.

On the second day after I arrived in Shanghai, I dined with ten Chinese friends. Firstly, I was surprised by the amount of food they had ordered. It was impossible for 11 people

to finish all that in one go. Secondly, they all made me eat and taste all the dishes and by the end of the dinner I was so full that I could hardly move from my seat.

The biggest similarities between China and India would be the fact that the youngsters do respect their own culture, even though they have tastes and habits different from those of their preceding generations.

After coming to China, I have become more patient and have learnt to deal with uncertainties in life in a much better way. I would definitely want to stay in China to work after my MBA as this country offers many interesting opportunities.

## Welcome to West Lake in Hangzhou

### Vinay Sharma

25, Guanghua Law School, Zhejiang University



Chinese people are helpful and friendly. When I came to China for the first time, I was going to take a train to Hangzhou after my arrival in Shanghai. However, I was unable to get to the ticket counter at the Shanghai Railway Station, and I couldn't speak any Chinese words, not even "Ni hao (hello)". Then I met a Chinese guy named

Jack Li, and he helped me buy a train ticket and sent me to the train platform. I am still in contact with him.

After receiving my Master's, I want to earn my Ph.D. at Zhejiang University. The best thing about the university is that there are students from different parts of the world and almost all Chinese students can speak fluent English, so I don't feel any language barrier on the campus. I like hiking with my friends, and I've joined some hiking groups. Mountain biking is also one of my hobbies. It's very adventurous and interesting, but not so common in India.

I love Hangzhou so much. The city is not very polluted, and the transportation there is good. The natural scenery in Hangzhou is picturesque, and what I like most is West

Lake. I go to West Lake almost every evening. Besides, I think Hangzhou is the only place where all types of weather (rain, wind, cold, and super hot) can possibly be seen in one week.

I spent three days with a Chinese family during the 2016 Chinese New Year. It was a great time with the family – husband, wife and twin sons. During the festival, all the family members, including the couple's relatives, had a big get-together, which reminded me of Diwali in India when we visit our relatives. We all went outside to visit the Beijing-Hangzhou Grand Canal and Canal Museum, and we had a meal at an Indian restaurant. They are just like my family in Hangzhou. Sometimes, when I miss my home in India, I prefer to talk to them and meet them.

## Show Respect to the Guard of Tradition

### Zheng Kexin

Shanghai International Studies University



I traveled to Darjeeling, a hill resort in India. I liked the place very much. The scenery is beautiful and the food delicious. I enjoyed every meal I ate there.

On the trip, I came across an old man in a puppet museum. He was the founder of the museum, and was in his eighties.

He introduced the exhibits

and the puppet-making process to us, and from what he told us, his life has been dedicated to promoting Indian culture.

We were moved by the elderly man. We bought some souvenirs but didn't bargain as usual because we wanted to give what support we could to this respectable keeper of tradition.

## Hospitable Indian People

### Song Wuqiao (middle)

Peking University



My hometown is Chengdu City in Sichuan Province. In India,

I was very happy to find many restaurants offering a dish named "fried noodles of Sichuan".

Indians and Chinese are very different. They are both hospitable, but Indian people are even more so. Sometimes, you just say "Hello" to them, and then they will invite you to sing and dance.

One time, when we traveled in Mumbai, I carelessly left my wallet in a restaurant. At midnight that day, someone knocked on my door and asked whether one of us had lost a

wallet.

It turned out that after the owner of the restaurant found my wallet and got to know that it belonged to a Chinese tourist, he checked the hotels one after another, until finally, he found me at midnight. I was so moved that it greatly changed my impression of Indians.

Indian people have a very "distinctive" sense of time. When they say one minute, it usually stands for half an hour. You will accept it when you get used to it.

## Hello: A Greeting from India

### Lin Wenzhi (left)


Shanghai International Studies University



When I arrived in India, I had not been learning Hindi for long, and I couldn't understand the English spoken by Indians. Hence, I felt very anxious. But when we walked around in Wardha, which is the seat of the Mahatma Gandhi International Hindi University, now and then Indian people would say "Hello" in Chinese to us. One Indian even said "hello" to me in Cantonese.

Thus, the influence of Chinese culture showed in subtle ways.

During the ten months of our stay, we taught the chef in the university kitchen to cook "scrambled eggs with tomato" and fry "poached eggs". He even wanted to learn how to cook noodles with chicken.

Before going to India, I had heard that Indians were not so friendly towards the Chinese. But, in fact, Indian people are very nice. Whenever we wandered around one place for too long, Indians would ask us whether we had lost our way. 

# Paving Memory Lane

Narrated by **B.R. Mani**  
 Compiled by **Wen Zhihong**  
 Photos by **Dong Fang**



Recently, *China-India Dialogue* interviewed Dr. Mani, director-general of India's National Museum in New Delhi, when he attended an international symposium related to the exhibition "Across the Silk Road: Gupta Sculpture and Their Chinese Counterparts Between 400 and 700 A.D." This article is edited from the interview.

Buddha head, 5th Century, bluff sandstone, 15.27×10.16×10.16cm, housed in the Archaeological Museum, Sarnath, Uttar Pradesh.

I have worked with China several times. In 2006, when I worked for the ASI (Archaeological Survey of India) as its additional director-general, we held an exhibition called "Treasures of Ancient India" in four cities in China. In return, we hosted an exhibition in India called "Treasures of Ancient China." We also toured four cities in India, including the National Museum. It was the first time we borrowed two of Xi'an's terracotta warriors. It was also their first trip out of China. In 2011, we organized an exhibition in Delhi, Mumbai, Hyderabad and Kolkata. Before that, I had visited China to take part in the Silk Road Conference in Xi'an. In June 2016, I visited for a conference on the Maritime Silk Road in Quanzhou.

The sculptures from India and China of this exhibition, "Across the Silk Road: Gupta Sculpture and Their Chinese Counterparts Between 400 and 700 A.D.," were put together beautifully. In fact, the Palace Museum team selected more than 80 items. However, many objects were either AA category, which cannot be transported, or so fragile that the curators did not allow them to travel. So we had to prune down the list. Still, the screening and evaluation committee in India were hesitant about four or five sculptures and did not want us to send them, such as a terracotta head from Jammu. I insisted that these pieces go. I argued that they can raise the insurance value by letting them travel. Otherwise, we couldn't showcase the grandeur of the Gupta period. Finally they agreed, and we were able to

get items from nine different museums in India, including the National Museum and some other important museums. And they approved the pieces to travel at the last minute.

I know that people in China would definitely appreciate Gupta art in the Palace Museum. I have talked with some people who were thrilled to see the structures and artistic beauty of our 50 sculptures, some of which were travelling for the first time. There are parallels to the Gupta period in China. Relatively few pieces are available, and it gave me the chance to see many of them for the first time. I had seen some of them in photographs or books, but this is the first time I saw the real objects.

Buddhism came from India into China and even the art styles influenced Chinese art. Although the subject matter and some of the basic styles are Indian, the Chinese sculptures have developed a particular Chinese characteristic. Chinese sculptures have developed in their own way. The physical features, expressions and even some of the stories behind the sculptures are uniquely Chinese. It is a very good example of interaction between India and China.

In June 2016, I was in Quanzhou and saw the Hindu temples there. They are not there now, the remains of those temples and sculptures are in the museum. I was just discussing the idea with some colleagues of an exhibition involving these sculptures or the materials from those Hindu temple remains from Quanzhou. In India, we have

the largest 14th-Century blue-and-white Chinese porcelain piece, which I have written about in the catalog. We can combine such things as part of the Silk Road Exhibition. We can hold this exhibition in the National Museum in Delhi and maybe in the Palace Museum and anywhere else in China.

Another good theme for a future exhibition is silk. Direct contact between China and India was ongoing from the first or second century B.C. to late medieval times, either via the Maritime Silk Road or land roads. But new evidence suggests that interaction may have begun even earlier. Silk was the primary export from China via the Silk Road. Now we have found silk in India that dates back some 5,000 years. Although it is not quite clear whether the silk was from China, or whether there were simultaneous developments in China and India, there was definitely some connection. We have also found evidence of Jinanxiu ( 济南绣 ), a type of Chinese silk, in Sanskrit. These types of evidence must be explored further – in disciplines such as archaeology. History is essential to inspire research.

The Forbidden City is an amazing palace. In India, we also have many palaces, but most of them have lost their grandeur. For example, if you compare the Forbidden City with the contemporary palaces of the Mughal Period in India, the area is smaller in India, and the structures have already been damaged and lost. Sites that come to mind are the structures in Red Fort and Agra Fort, which were still standing



and well-preserved before the British came. However, over the years, the sites were occupied by the British army and then the Indian army and the cells were converted into hospitals and barracks. Many of them are no longer with us today.

But fortunately, in the Forbidden City complex where China's palaces are located, at least the structures are safely preserved. Despite the fires and accidents, most have been renovated and preserved in good shape. As for the palaces

in Red Fort or Agra Fort or even Lahore Fort in Pakistan, after the buildings were damaged, they were razed to the ground. In Red Fort, there were once at least 32 buildings, but today, only six or seven still stand. The gardens and pavilions have

gone too. We don't have any of the Mughal grandeur anymore.

China and India can learn from each other about heritage conservation and excavation. In India, conservation is a state subject. But both the ASI and the state archaeology

department have limitations. The state governments have meager funds. The ASI has a shortage of manpower, and its attention is frequently diverted to other countries like Indonesia, Myanmar, Vietnam and Cambodia, where Indian archaeologists are working. The best conservators have been sent to perform reviews. The governmental process is full of roadblocks to getting sanctions and approvals, things like that. Even when funds are actually ample, procedural delays still impede the work. In India, we still use the conservation manual that was finalized and published by the director-general of the ASI in 1921. International charters were not even available at that time.

I have found that in many countries, the principles of conservation are not followed strictly. That is the case in China too. In China, the mindset is more about renovation. Renovations are also being undertaken by some of our colleagues in India, but they're going against the principles too. Basically, we don't believe in renovation. We only believe in conservation. If you have a dilapidated structure, you have to keep it as it is. All you can do is ensure that it doesn't further deteriorate and stays as close as possible to how you found it. Not only in China, but also in Iran and other countries, if there are some dilapidated structures and blueprints available, the entire thing is renovated.

Ancient Chinese travelers' accounts helped us locate the sites. As we all know, Faxian and Xuanzang visited India. They mentioned a number of particular Buddhist sites

and cities that unfortunately are little-known today simply because they're not there anymore. You follow their routes and directions, you come across big sites and you can also cross-reference the names in those sites, and sometimes they match with old names, but sometimes they have changed. With the correct information and archeological records at the sites, you can locate new ancient sites. A good knowledge of culture and literature is of great help to archeologists in locating the sites. A well-trained archeologist can identify the period of time or area of new findings.

Cutting-edge technologies nowadays also facilitate archeology. This time, a Chinese company showed us how to record an area with drones as well as 3D scanning for backups. In the last three or four years, we have started performing such high-tech work. If Chinese experts are interested, they can also work in India, like they have done in China's Tibet. They beautifully documented the sites there. If they come, they can document sites like Ellora, where we have large caves and cave temples. That would not only be very exciting for the public but also a permanent enhancement of the records.

Countries in Southeast Asia have a common cultural origin. India is a large country, and China is even larger. If we cooperate in areas ranging from culture to economics, we can become the greatest region in the world. If we can facilitate communication and exchanges between the peoples of Asia, that would be a great start. 



**1** Warrior, Tiaolu Years of Tang Dynasty (679-680 A.D.), a stone sculpture excavated from Lu Cave of Longmen, Luoyang, Henan in 1955, 136×55.5×28cm, housed in the Research Academy of the Longmen Grottoes.

**2** Inscribed Buddha, 4th Century BC, buff sandstone unearthed in Sravasti, Uttar Pradesh, 30×20×7 cm, housed in the State Museum in Lucknow, Uttar Pradesh.

**3** Bust of Bodhisattva (left), 6th Century, buff sandstone unearthed in Sarnath, Varanasi, Uttar Pradesh, 44.5×31×20.5cm, housed in the National Museum in New Delhi.

**4** Statue of a couple, 5th Century, buff sandstone unearthed from Varanasi, 26.5×18×13cm, housed in Bharat Kala Bhawan, Varanasi, Uttar Pradesh.

**5** Seated Buddha, Tang Dynasty, stone, 205×85×78cm, housed in the Research Academy of the Longmen Grottoes.

**6** India section of the exhibition "Across the Silk Road: Gupta Sculpture and Their Chinese Counterparts between 400 and 700 A.D."





### Stories of China and India

Editor-in-Chief Zheng Ruixiang

China International Press  
October 2016

This book recounts many stories about friendly exchange and cooperation between the two peoples that have fostered this deep friendship. Authors of these stories include long-serving diplomats in India, experts, scholars and journalists engaged in research on Sino-Indian cultural exchange as well as Indian friends committed to Sino-Indian friendship who have worked in China for a long time. Their articles fully reflect the historical origins of Sino-Indian friendship for thousands of years as well as promising development prospects for the future.

One event I still remember to this day happened on April 13, 2004. At about 9:00 am, the Malaysia-registered vessel *Genius Star VI* was caught in a storm and sank in the Bay of Bengal about 190 nautical miles southeast of India's Haldia Port. All 17 Chinese sailors on the vessel were able to escape. Upon hearing the SOS message, the Coast Guard of Haldia Port immediately sent out a radio message urging every vessel in the vicinity to search for the ship and rescue its crew. The information was passed all the way to the Chinese Embassy in Delhi.

When they heard the news, the top leadership in China watched the developments closely, and Premier Wen Jiabao issued instructions to "spare no efforts in the rescue operation." In accordance with the instructions of the CPC Central Committee and the Ministry of Foreign Affairs, Ambassador Hua Junduo quickly called an emergency meeting and the entire embassy instantly dove into the rescue operation. That afternoon, I was instructed to contact the head of the Division for East Asia (China & Japan) of the Ministry of External Affairs of India and ask them to check the information

## Rescuing the Sailors of the *Genius Star VI*

By Zheng Qingdian

and launch an all-out effort to rescue the sailors and vessel, if possible. India readily agreed to cooperate with the Chinese Embassy on the rescue mission. About half an hour later, I received confirmation that the information was true and that all 17 sailors, including first and second mates, had left the ship. With cooperation and assistance from the Indian side, the director of the Consular Section Huo Yuping and I, as representatives of our embassy (there was no consulate in West Bengal then), arrived in Kolkata at 7:00 pm by plane and then went directly to Haldia Port by car. About two hours later, we reached the headquarters of the Coast Guard, where senior officers were anxiously awaiting us. After brief greetings, they outlined the situation in detail and decided to launch an all-out rescue operation immediately. Huo Yuping and I joined the Indian Coast Guard's rescue operation.

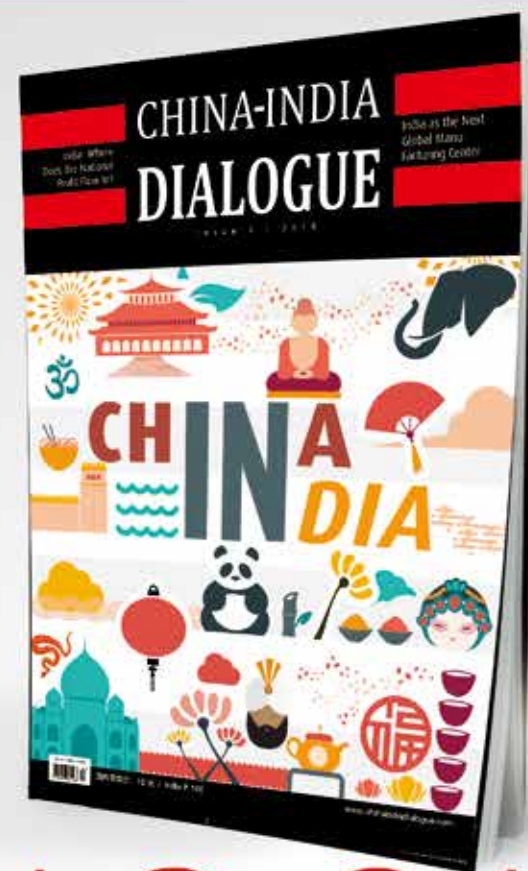
Fortunately, the Tonghai vessel of China COSCO Shipping Corporation Ltd. happened to be near the accident site. Upon hearing the news, the crew asked for instructions from their supervisors in China and were told to rush to the last known position of the ship. Despite strong winds and waves, the Indian Coast Guard sent a helicopter and boats to assist the Tonghai, which reported very stormy waters in the area. The storm may not have threatened the Tonghai, but it posed real danger to the helicopter and the naval craft. With efforts from all sides, especially guidance from the Coast Guard, the helicopter and the naval craft saved eight Chinese sailors by 3:00 pm. When crew confirmed no further signs of survivors in the area, the Tonghai left. However, the Coast Guard kept searching through the night and rescued four more sailors.

After a day and night of backbreaking work, the Indian rescuers were exhausted. However, at 8:00 am on the 14th, the Coast Guard commander convened another emergency meeting. He stressed that rescue efforts couldn't be delayed. Time was crucial. A life might be saved if a victim was reached a minute earlier. The rescue operation

had to be carried on, and it continued vigorously. By 2:20 pm, the Coast Guard reported that three more Chinese sailors had been rescued. They were surprised to find the last sailor floating on the back of a sea turtle. They noted that local fishermen had reported being saved by sea turtles in the area, and that the Chinese sailor had been truly blessed. They also informed us that all three sailors were in good condition, even though they were very hungry after being in the water for nearly 30 hours. I could feel the Coast Guard's excitement upon finding the sailors and their congratulations to those rescued. Coast Guard commander R.K. Wadhwa called me personally to express his excitement about the 15 rescued sailors. The Coast Guard would carry on the operation and attempt to find the final two missing sailors. He stressed that it was their sacred duty to rescue the crew of the wrecked ship, and that it was a great honor to save their Chinese brothers.

The two missing sailors weren't found, however. Still, the 30-hour rescue operation proved that the Indian Haldia Coast Guard was a well-trained and dependable team. Thanks to thoughtful arrangements by the local government and the Coast Guard, the 15 rescued Chinese sailors were sent ashore in groups to undergo physical examinations. On the 17th, the Coast Guard supplied special staff to accompany the sailors to a comprehensive diagnostic examination in a cutting-edge hospital in Kolkata. They also accompanied them when they headed back to China. When they finally parted ways, everybody was moved, holding hands with tears and reluctant to part.

This article, originally titled *Friendship Rooted in the Hearts of Both Peoples*, was penned by Zheng Qingdian, former Minister-Counsellor of the Chinese Embassy in India and former Chinese Ambassador to Bangladesh and Jamaica. It is excerpted and edited from the book *Stories of China and India*.



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